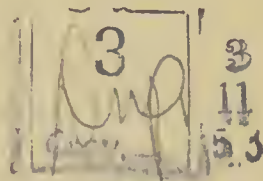
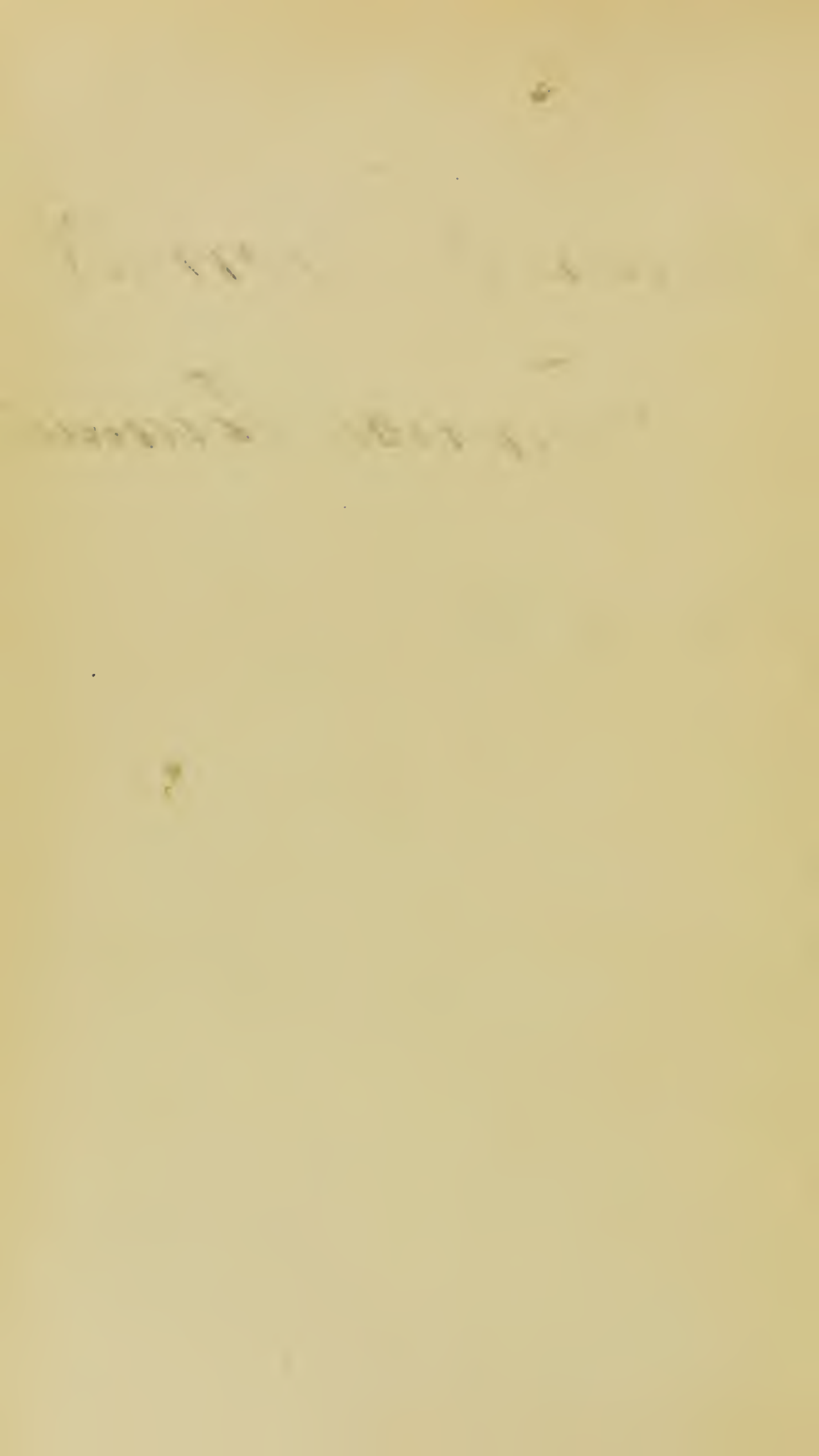


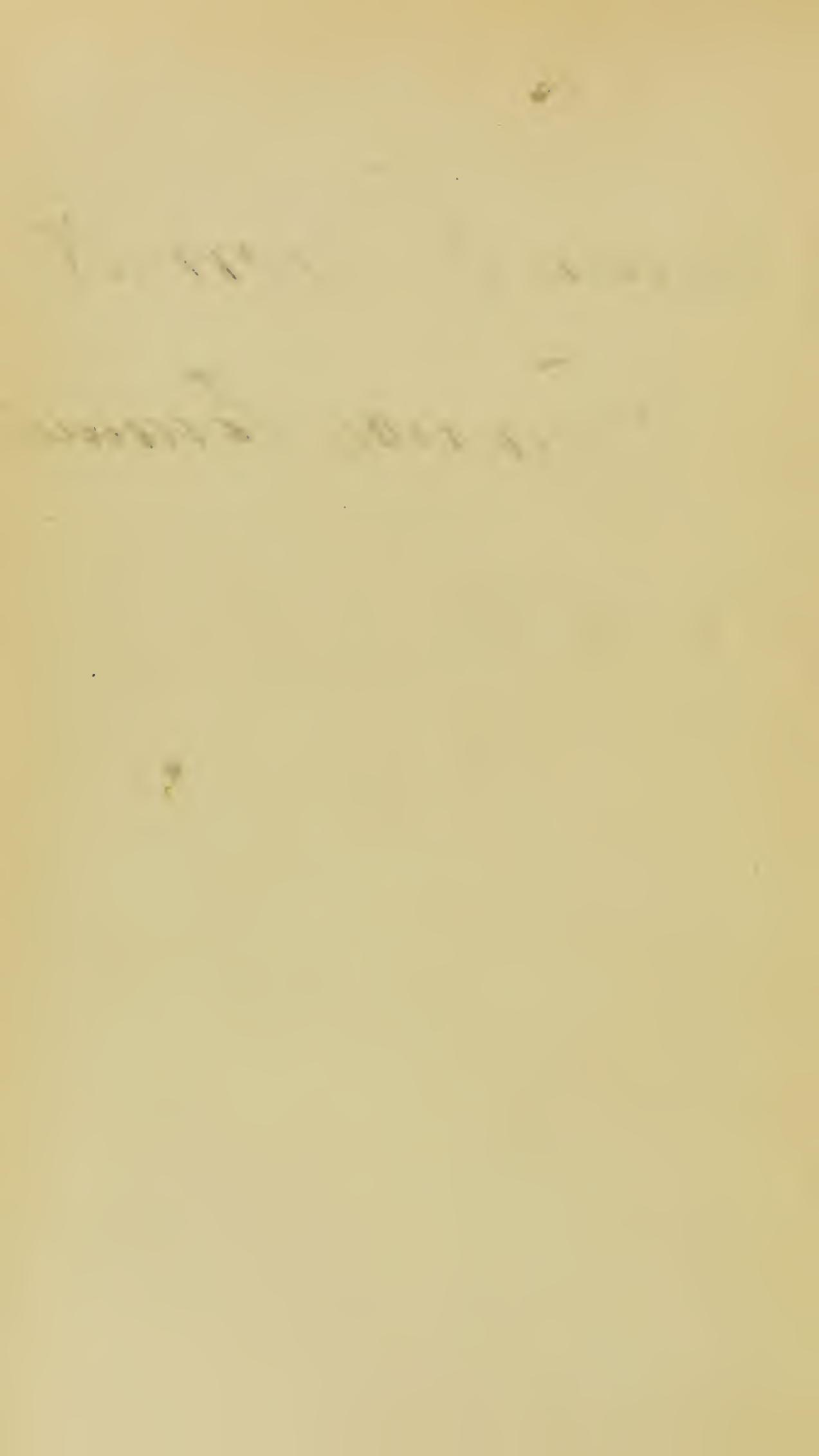
James S. Thorvill.

Finance Committee

Dec 12/96







SOUND CURRENCY 1896

A COMPENDIUM

OF

Accurate and Timely Information

ON

CURRENCY QUESTIONS

INTENDED FOR

WRITERS, SPEAKERS AND STUDENTS

REFORM CLUB SOUND CURRENCY COMMITTEE

NEW YORK

1896

TABLE OF CONTENTS.

U. S. COINAGE AND CURRENCY LAWS.

	PAGE
LAWS RELATING TO COINAGE.....	2
Power granted by Constitution—Act of April 2, 1792, establishing a mint and regulating coinage—Act of May 8, 1793, copper coinage—Act of January 14, 1793, copper coinage—Act February 9, 1793, in reference to foreign coins—Subsequent legal tender legislation as to foreign coins—Act of March 3, 1795, regulating the mint and coins of the U. S.—Act of April 21, 1806, punishment of counterfeiting—Act of June 28, 1834, gold coins of U. S.—Act of January 18, 1837, coinage revision—Act of March 3, 1849, coinage of gold dollars and double eagles—Act of March 3, 1851, coinage of three-cent silver piece—Act of February 21, 1853, relative to half and quarter dollar, dime and half dime—Act of March 3, 1853, new coinage, assaying and regulation of dies—Act of February 21, 1857, legal tender quality of foreign coins revoked, nickel cent, purchase of bullion—Act of April 22, 1864, coinage of bronze cent, and legal tender of minor coins—Act of March 3, 1865, coinage of nickel three-cent pieces, limited legal tender—Act of May 16, 1866, coinage of five-cent piece—Act of March 3, 1871, redemption of copper and other token coins—Act of February 12, 1873, revising coinage laws—Act of January 29, 1874, coinage of foreign coins at the mint—Act of June 22, 1874, Revised Statutes of the U. S.—Act of March 3, 1875, coinage of twenty-cent piece—Act of April 17, 1876, issue of silver coins—Joint resolution, July 22, 1876, issue of silver coins, purchase of silver bullion—Act of February 28, 1878, to authorize standard silver dollar, purchase of bullion, monetary conference—Act of May 2, 1878, coinage of twenty-cent piece prohibited—Act of June 19, 1878, assaying of bullion—Act of March 3, 1879, transportation of securities, coin certificates—Act of June 9, 1879, redemption of silver coins, legal tender of silver coins—Act of May 26, 1882, gold coin for gold bullion—Act of August 7, 1882, transportation of silver coins—Act of August 4, 1886, issue of silver certificates, transportation of silver coin—Act February 19, 1887, retirement and recoinage of trade dollar—Act March 2, 1889, disposal of "silver profit fund"—Act July 14, 1890, purchase of silver bullion, issue of coin certificates—Act of September 26, 1890, amendment of section 3510, Revised Statutes—Act of September 26, 1890, discontinues the coinage of three-dollar and one-dollar gold pieces and three-cent nickel—Act of February 10, 1891, counterfeiting—Act of March 3, 1891, exchange of gold coins for bars—Act of November 1, 1893, purchase of silver bullion discontinued.	
LAWS RELATING TO GOVERNMENT CURRENCY.....	22
Act of July 17, 1861, authorizing the issue of Treasury and \$50,000,000 demand notes—Act of August 5, 1861, form and manner of issuing Treasury notes—Act of February 12, 1862, \$10,000,000 additional demand notes—Act of February 25, 1862, issue of \$150,000,000 legal tender United States notes—Act of March 17, 1862, demand notes made legal tender—Act of July 11, 1862, additional issue of \$150,000,000 United States legal tender notes—Act of July 17, 1862, stamps received in payment of customs duties, fractional bank notes forbidden—Joint resolution January 17, 1863, non-interest bearing United States notes authorized—Act of March 3, 1863, \$150,000,000 additional legal tender notes authorized, exchange of United States notes for interest bearing Treasury notes, issue of gold certificates, \$50,000,000 fractional currency—Act of June 30, 1864, Treasury notes bearing interest, redemption of Treasury and United States notes, temporary loan—Act of January 28, 1865, issue of Treasury notes—Act of March 3, 1865, conversion of Treasury notes into bonds—Act of April 12, 1866, retirement of United States notes—Act of March 2, 1867, issue of temporary loan certificates in payment of compound interest notes—Act February 4, 1868, suspension of further reduction of the currency—Act of July 25, 1868, redemption and retirement of compound interest notes—Act of March 18, 1869, to strengthen public credit—Act of July 12, 1870, redemption of 3 per cent. temporary loan certificates—Act of June 20, 1874, amount of United States notes fixed—Revised Statutes relating to currency—Act January 14, 1875, resumption of specie payments—Act of May 31, 1878, further retirement of United States notes forbidden—Act of August 4, 1886, issue of silver certificates.	
LAWS RELATING TO BANK CURRENCY.....	31
Act of February 25, 1791, incorporation of the Bank of the United States—Act June 27, 1798, counterfeiting—Act of April 10, 1816, Second Bank of the United States—Act of February 25, 1863, to provide a national bank currency—Act of June 3, 1864, National Bank Act—Act of March 3, 1865, formation of national banks—Act of July 13, 1866, tax on State banks—Act of March 2, 1867, certificates of temporary loans—Act of March 26, 1867, tax on county or municipal notes—Act of March 3, 1869, reports of national banks—Act of July 12, 1870, increase of national bank circulation—Revised Statutes of the United States—Act of June 20, 1874, organization of national banks—Act of June 23, 1874, destruction of notes—Act of January 19, 1875, limitation of aggregate amount of national bank notes removed—Act of February 8, 1875, tax on notes other than national bank—Act of March 3, 1875, printing of the notes—Act of February 14, 1880, conversion of national gold banks—Act of July 12, 1882, corporate existence of national banks extended—Act of March 3, 1887, reserve cities—Act of July 14, 1890, 5 per cent. redemption fund.	
APPENDIX.....	45
Coins of the United States, authority for coining and changes in weight and fineness, total amount coined, legal tender quality.	
INDEX.....	47

U. S. CURRENCY STATISTICS.

INTRODUCTION AND GENERAL REFERENCES.....	50
BANKS.....	50
National Banks, general statistics, 1863-1895—Abstract of Reports, September 28, 1895—Taxation, assessments and note redemptions, 1883-1895—State Banks, general statistics, 1834-1863—Aggregate resources and liabilities of all State Banks, Loan and Trust Companies, etc., 1894-95—Situation of the World's principal banks of issue, September 30, 1895—References.	
BONDS, UNITED STATES, PRICES IN 1894 AND 1895.....	54
CIRCULATION.....	55
Coin and paper in circulation and in the Treasury July 1, 1896—Estimated amount of money in actual circulation at close of each fiscal year from 1860 to 1895—Explanation of basis of estimates—Coin and paper circulation on June 30, from 1860 to 1896—Paper currency outstanding at the close of each fiscal year, 1862 to 1896—World's aggregate and per capita stocks of money, 1893—Chart showing per capita circulation since 1860—Chart showing circulating media of the U. S., October 1, 1894—References.	

	PAGE
CLEARING HOUSES	60
Transactions of New York Clearing-house, 1854-1895—Comparative statement of exchanges of certain Clearing-houses of the United States for 1892-1895.	
COINAGE	61
Coinage of the Mints of the United States annually, 1792-1895—Coinage of gold and silver in the United States by periods—Chart showing same—Coinage of principal nations, 1892-1894.	
CREDIT INSTRUMENTS	65
Percentage of Credit Instruments in total receipts of National Banks, 1881, 1890, 1892—Credit Instruments in retail transactions, 1894.	
GOLD	66
Currency value of \$100 in gold, monthly, 1862 to 1878—Chart showing same—Net gold coin and bullion in the Treasury, 1879-1895, together with monthly receipts from customs, showing percentage of each kind of money received—Charts illustrating same.	
GOLD AND SILVER	69
Production in the world, 1492-1895—Production in the United States, 1792-1895—Ownership in the United States, July 1, 1895—Imports and exports, 1864-1896—Chart showing same—References.	
PRICES AND WAGES	73
Relative prices and wages in the United States and elsewhere, according to the Aldrich Report and the tables of Soetbeer, Sauerbeck and the "London Economist"—Chart showing course of wages and prices in the United States, 1860 to 1891—References.	
PUBLIC DEBT OF THE U. S.	75
Statement of the outstanding principal of the Public Debt annually, 1791-1896—Statement of the Public Debt, July 1, 1896.	
SILVER	77
Purchases by the United States under Acts of 1878 and 1890—Commercial ratio of silver to gold each year since 1687—Chart showing production and price of silver since 1792—Highest, lowest and average prices of silver in London and New York, and average bullion value of silver dollar since 1833.	

THE WORLD'S CURRENCIES.

FULL DESCRIPTIONS OF CURRENCY SYSTEMS, STOCKS OF MONEY, ETC.	81
United States—Great Britain—Canada—British India—Minor Colonies—German Empire—Austria—Hungary—Latin Union (France, Belgium, Switzerland, Italy and Greece)—Spain—Scandinavian Union (Sweden, Norway and Denmark)—The Netherlands—Russia—Portugal—Turkey—Roumania—Servia—Persia—China—Japan—Mexico—Central American States—South American States.	
APPROXIMATE STOCKS OF MONEY IN PRINCIPAL COUNTRIES	96
GOLD PAR EQUIVALENTS	97
WEIGHTS OF GOLD AND SILVER COINS	98

OUR MONEY AS IT IS.

INTRODUCTION	99
Our currency, illogical development and confused condition—Amount and kinds of money in circulation and in Treasury March 1, 1896—Historical order of issue—Definitions.	
GOLD COIN	100
Weight and fineness unchanged since 1837—Act of 1834 fixing weight and fineness at .899225—Act of 1837 changing fineness to .900—Act of 1849 authorizing coinage of \$20 and \$1 pieces—Act of 1853 authorizing coinage of \$3 piece—Act of 1873 made no changes—\$3 and \$1 pieces discontinued by Act of 1890—Legal tender except when abraded, etc.—Since 1875 no charge for converting bullion into coin—Stock in U. S. March 1, 1896, \$586,168,106, estimated.	
GOLD CERTIFICATES	101
Act of 1882 authorizes issue—Receivable for customs, taxes and public dues—May be reissued—Issue to be suspended when gold reserve is below \$100,000,000—Denominations—Payable "to bearer" till 1888; since then \$5,000 and \$10,000 payable "to order"—Amount in circulation March 1, 1896, \$43,733,019.	
UNITED STATES NOTES, commonly called GREENBACKS	101
Composition of currency in 1861—Currency system unfit to stand strain of war—Act February 25, 1862, authorizing issue and funding floating U. S. debt—Limits issue to \$150,000,000—Receivable for all demands except import dues, etc.—Legal tender with certain exceptions—Exchangeable for certificates, which are receivable for U. S. Bonds—May be reissued—Passed as a war measure, despite questionable constitutionality—July 11, 1862, additional issue of \$150,000,000—\$35,000,000 may be of denominations less than \$5 but not smaller than \$1—March 3, 1863, issue of another \$150,000,000—June 3, 1864, \$49,333,902 U. S. Notes outstanding—Act June 30, 1864, limited amount outstanding to \$400,000,000, but permitted \$50,000,000 additional for temporary loans—Act April 12, 1866, authorizes gradual redemption in bonds—Amount outstanding February 4, 1868, \$356,000,000, when further retirement prohibited—Act March 18, 1869, pledging redemption in coin, etc.—In 1873 Treasury reissued \$26,000,000 previously redeemed but not canceled—Bill passed in 1874 authorizing increase to \$400,000,000 vetoed by President Grant—The "Resumption Act"—Accumulation of gold reserve—Further retirement forbidden May 31, 1878—Outstanding issue \$346,681,016—Legal-tender decisions.	
CURRENCY CERTIFICATES	104
Act 1872 provides for issue, against deposit of currency, in sums of not less than \$10,000 in any form prescribed, and in not less than \$5,000 payable on demand—May be counted as lawful money reserve—Now issued only in denominations of \$10,000—Not legal tender—Amount in circulation March 1, 1896, \$32,825,000.	
NATIONAL BANK NOTES	104
Only State Bank notes in circulation from 1836 to 1863-4—National Banking System established to provide market for U. S. Bonds—Organization and capital—Deposit of bonds—Circulating notes, upon what issued; limit for each bank—Withdrawal of notes and subsequent increase—Aggregate amount now unlimited—Denominations of notes—Not a legal tender, but receivable for public dues except duties on imports, and by other National Banks—One per cent. tax on circulation—Five per cent. Redemption Fund deposited in U. S. Treasury—Comptroller may sell bonds to redeem notes—U. S. has a first lien on assets of failed banks—Reserves—Reserve Cities—Central Reserve Cities—Ten per cent. tax on State Bank issues—Uniformity of National Bank notes—Security of holder—Want of elasticity—Increase of circulation—Conditions of, and delay—Retirement not to exceed \$3,000,000 per month—Note issue unprofitable—Statistics of decreased circulation—May deposit	

lawful money and withdraw bonds—Notes outstanding March 1, 1896, \$217,181,917—System stiff and rigid does not respond to wants of trade.	PAGE
SILVER DOLLARS	107
Up to 1878 about \$8,000,000 coined—None in circulation between 1834 and 1878—Act of 1873 not secretly passed—Enacted into law what had been a commercial fact for forty years—Act of February 28, 1878 (Bland-Allison Act) provides for coinage of silver dollars and purchase of silver by U. S.—Seigniorage to the Government—Pure silver in dollar has never been changed since 1792—Purchased under Act 1873, \$308,279,361; from which coined \$378,166,793; seigniorage, \$70,000,000.	
SILVER CERTIFICATES	107
Issued against silver dollars—Such certificates are receivable for customs, taxes and all public dues—Not legal tender—\$1, \$2 and \$5 certificates authorized by Act of 1886—Amount in circulation March 1, 1896, \$332,545,943.	
TREASURY NOTES OF 1890	108
Act of 1878 failed to raise price of silver—Agitation resumed—In 1890 Sherman Act passed; approved by President Harrison July 14—Directs Secretary of Treasury to purchase 4,500,000 ounces of silver monthly and to issue Treasury notes of prescribed denominations in payment—Notes redeemable in coin—May be reissued—Limits amount outstanding to cost of silver bullion and silver dollars coined therefrom held in Treasury—Legal tender, except where otherwise stipulated in contract—For what receivable—Policy of U. S. to maintain parity of the silver and gold—2,000,000 silver dollars coined monthly till July 1, 1891—After that sufficient to redeem Treasury notes—Seigniorage to go to U. S.—While nominally redeemable in gold or silver at the discretion of the Secretary of the Treasury, really at the option of the holder—Resemble greenbacks—Issue \$155,931,002, a like tax on the Government's credit—Increased silver purchases and issue of coin notes culminated in panic of 1893—Repeal of purchasing clause November 1, 1893—Purchases under Act 1890, cost—Seigniorage, illustration—Recoinage of Trade Dollars—Amount of silver dollars—Not acceptable, despite free transportation—Silver certificates in circulation, \$332,545,943.	
REDEMPTION OF TREASURY NOTES AND GREENBACKS	109
When received may be reissued—Amount outstanding limited—Notes of 1890 may be canceled when redeemed in silver—March 1, 1896, \$19,000,000 so retired—Free transport of silver cause of redemption of notes in silver—When redeemed in gold have been reissued—Amount redeemed in gold March 1, 1896, \$73,477,574, mainly reissued—In circulation March 1, 1893, \$138,719,280—Greenbacks must be reissued when received—Only \$28,000,000 redeemed in gold up to July 14, 1890—Subsequent redemption very rapid—\$460,273,307 gold used to redeem Greenbacks and Treasury notes to February 29, 1896—\$483,400,000 still uncanceled—Gold reserve of \$100,000,000 unimpaired till April, 1893, since which it has been sustained by sales of bonds—Effects of impairment of Gold Reserve—Act of January 14, 1875, authorizes sales of bonds to maintain reserve—Sale of Bonds in February, 1894; November, 1894; February, 1895, and February, 1896, popular loan of \$100,000,000 yielded \$111,000,000—Condition of Reserve March 1, 1896—Net gain on bond sales—Notes redeemed in gold to preserve parity of silver.	
SUBSIDIARY SILVER	111
Acts of 1834 and 1837 undervalued silver—Till 1853 subsidiary coins contained proportional amount of metal, and were withdrawn from circulation—In 1853 amount of metal reduced, and legal tender limited to \$5—Present legal status fixed by Act 1873—The Act of 1879 provides for exchange of, for lawful money—Amount of issue unlimited.	
MINOR COINS	111
Present minor coins authorized by Acts of 1864 and 1866—Present status determined by Act of 1873—Denominations—Legal tender to 25 cents—U. S. pays transportation—Redeemable in lawful money in sums of \$30—Secretary may order discontinuance of coinage—Amount now coined.	
BULLION FOR OUR PRESENT COINS	112
Gold coin—Holder of bullion may deposit same to be minted into coins—Only charge cost of alloy—Silver dollars—Subsidiary silver and minor coins, coined only for Government account.	
STATISTICAL TABLES	112
Statement of Money in Circulation March 1, 1896—Remarks—Distribution of Money in U. S., March 1, 1896—Summary Showing Ownership of Money—United States Coins.	

THE CRIME OF 1873.

THE ORIGINAL BILL	116
Prepared in Treasury Department by John Jay Knox, Deputy Compt. 1869-70—The method of preparing the bill—Condensation of existing laws submitted to various persons for suggestions—Opinions of more than thirty experts obtained—Discontinuance of the silver dollar specifically pointed out—First draft of bill proposed a 384-grain 900-fine dollar, of limited legal tender—Proposition to reduce weight and character of silver dollar fully discussed—Omitted from bill sent to Senate on recommendation of experts.	
BILLS AND REPORTS IN CONGRESS	117
Covered the subject of mints and mintage—Controversy over only three sections—Report points out the making of the gold dollar the standard and the discontinuance of the silver dollar—Discontinuance pointed out in three other places—These provisions, adhering to gold standard and discontinuing silver dollar, remained unchanged during entire discussion—Original bill introduced in Senate April 25, 1870—Reported at following sessions December 19, 1870—Passed January 10, 1871, Stewart voting Aye, and Sherman, No—Amended in House, changing legal tender of silver coins to \$5—"The Silver Dollar; Its Discontinuance as a Standard"—Light-weight Limited-Tender Dollar proposed—January 9, 1872, bill brought up for discussion—Referred back and reported to House February 13, 1872, with Sec. 16, providing for a silver dollar of 384 grains standard silver, tender limited to \$5—Passed House May 27, 1872—This 384-grain dollar just equal to two half dollars, and of limited coinage—Not the standard 412½-grain dollar—This 384-grain dollar dropped from bill and replaced by 420-grain Trade Dollar of unlimited coinage and limited tender—Bill in its final form passed Senate January 17, 1873—Accepted by House February 7, 1873—Signed by President February 12, 1873—Provided for coinage of trade dollar, etc., and limited tender to \$5.	
THE OLD STANDARD DOLLAR WAS NEVER IN THE BILL	119
Its omission pointed out in report accompanying bill—Trade dollar substituted for a 384-grain dollar—Substitution made for benefit of silver producers, voted for by their representatives—No concealment of discontinuance of silver dollar, but prominence given it on printing reports accompanying proposed bill—Impossible to have read reports and not know of proposed discontinuance.	
DISCUSSION SHOWING WHY IT WAS OMITTED	120
Fully discussed—Carefully considered by the Committee on Coinage, Weights and Measures—384-grain subsidiary silver dollar—Considered April 9, 1872, Mr. Hooper explained bill section by section—Calls attention to omission of 412½-grain dollar, etc.—Its bullion being greater than its	

face value, it has ceased to circulate—Mr. Soughton also calls attention to same, and compares value of silver and gold dollars—Mr. Potter opposes bill as untimely—Mr. Kelley declares it impossible to retain the double standard—Must have "one standard coin"—"Every coin that is not gold is subsidiary"—Senator Stewart's able arguments for gold.	PAGE
EXTENDED CONSIDERATION OF THE BILL	121
Called up in House May 27, 1872—Amendment by way of substitute—Detailed proceeding in House preceding passage of bill—Bill passed, yeas 110; nays 13—The substitute identical regarding silver coinage with bill reported from Coinage Committee—Bill printed in Senate May 29, 1872—Referred to Finance Committee—Returned December 16, 1872—After debate bill again printed, and considered section by section—Passed January 17, 1873—Sent to House January 21, 1873—Printed with amendments—Conference Committees appointed by House and Senate—Report of same agreed to—Became Law February 12, 1873.	
THE ERNEST SEYD MYTH	122
In 1892 it was alleged that Seyd brought £100,000 of English gold to U. S. to secure passage of Act 1873—The whole story untrue—Original draft submitted to him—Expresses opinion of same in letter dated London, February 17, 1872—Objects to omission of silver dollar—Intercedes for bimetallism, and suggests a 400-grain dollar—Mr. Seyd a friend of silver—He, Wolowski and Cernuschi the European champions of silver—Garbled report of remarks of Mr. Hooper—Falsehood about article in "Bankers' Magazine" in reference to Seyd—No such article in that magazine—Seyd's son writes that his father has not been in the United States since 1859, and has been a constant supporter of silver—Letter books of Ernest Seyd's firm for 1872 and 1873 show numerous letters with his signature—Senator Teller repudiates the Seyd story.	
THE TRUTH ABOUT THE ACT OF 1873	124
Before Congress three years—Printed eleven times, and twice in Comptroller's reports—Considered by Senate Finance Committee and Coinage Committee of House during five sessions—Debated in both Houses—Debates in Senate 66 columns; in House 78 columns of "Congressional Globe"—Passed substantially as introduced—Thoroughly explained—Two important provisions: limited coinage of silver and unlimited coinage of gold—Only Republicans in silver-producing States have favored its repeal—The Act of 1873, one of our wisest laws.	
WHY DIDN'T THE NEWSPAPERS SAY MORE?	125
Nothing new in principle or practice in the bill—A re-enactment of existing laws—It omitted the silver dollar because that was the intent the Act of 1853—Gold dollar had been the unit of value since 1834—Discussions of Act 1853—Remarks of Hon. Samuel B. Ruggles at International Monetary Conference 1867—Double standard does not exist—The U. S. not a double-standard country—Abolished by Act of 1853—Double standard a fallacy and an impossibility—Nothing new to call for newspaper comment—Had there been anything wrong in the bill, the press would have pointed it out—Principles sound and saved us from going on a silver basis in 1878.	
SUMMARY OF PROCEDURE ACT OF 1873	126
Appendix A—The Silver Coinage Section	126
Appendix B—The Act of 1873	127

THE GREENBACK IN CONGRESS.

INTRODUCTION	132
Financial condition of U. S. in 1861—Secretary Chase proposes Government control of bank issues—Two plans proposed: (1) To retire State Bank issues, and substitute U. S. notes—States object to be a loan to Government and a uniform currency—States objections to plan; (2) a circulation based on U. S. bonds—This latter formed the basis of the National Bank system—Banks suspended specie payment December 28, 1861—Chase's recommendations referred by House to Committee of Ways and Means, members of committee, which appointed a sub-committee consisting of Spaulding, Hooper and Corning—Spaulding draws bill providing for \$50,000,000 Treasury legal-tender demand notes—Laid before full committee—Opposed by Morrill, Horton and Corning—Colorless opinion of Attorney-General—By a majority of one reported to House January 7, 1862, from Ways and Means Committee.	
THE FIRST LEGAL-TENDER ACT	133
Bill reported authorizing \$100,000,000 Treasury demand notes—Read a first and second time, reported and ordered printed—Resolution instructing Judiciary Committee to inquire into and report on constitutionality of making same a legal tender—Substitute reported January 22, authorizing issue of Treasury notes, their funding, and funding of national floating debt.	
DEBATE IN HOUSE OF REPRESENTATIVES.	
E. G. SPAULDING, OF NEW YORK	134
The bill a measure of necessity, not a choice, to supply revenue to crush the rebellion—Extraordinary times demand extraordinary measures—A Government measure—To relieve the necessities of the U. S.—Other sources of revenue inadequate—The only means that can be devised—Congress has power to collect any and all taxes necessary to preserve its existence—Necessary to support armies and maintain a navy.	
The Constitutional Power	
Any necessary legislation not expressly prohibited is permissible—U. S. not prohibited from issuing demand, legal-tender Treasury notes—States may not make anything but gold and silver legal tender, but the U. S. may—Governments fix value of gold and silver—Treasury notes would pass as money—Constitution gives Congress power to pass "all laws necessary and proper" for carrying into execution all the powers granted to the U. S.—Congress has the right to authorize issue and make same a legal tender.	
What Should Be Done	
Asserts Government's right to the property of its citizens—Recommends issue of U. S. legal-tender notes, and claims same to be constitutional—Will agitate a speedy return to specie payments, etc.	
GEORGE H. PENDLETON, OF OHIO	
Differs from all previous laws, (1) in omitting interest, (2) absence of date of payment, (3) legal tender—No law making such notes legal tender was ever passed—Report of Secretary contains no such recommendation—A departure from established financial policy—To launch upon an ocean of experiment—The U. S. may endure secession, but not unsound depreciated Government paper currency—Objects to legal-tender provision—Every contract for payment virtually a covenant for payment of gold or silver coin—Contemplates impairing contract obligations.	
No Constitutional Support of this Power	
Such a power should have been in the Constitution if the Constitution had contemplated its exercise—Is not derivable from authorization to "coin money," nor "to regulate commerce,"	

nor "to levy and collect taxes, to raise and support armies," etc.—This last does not warrant the United States in repudiating its obligation to pay interest, and obtain funds by loans—No demonstration of the necessity of such issue—Defines relation of U. S. to foreign countries and its different States, and opposes contention that U. S. may do whatever it is not prohibited by the Constitution from doing; has no power beyond that granted by the Constitution—States provision of Constitution that all power not delegated to the Federal Government is reserved from it—No such direct or implied power, granted under Constitution—Withheld by design—Extract from letter from Secretary of Treasury urging immediate action—Indorses views of Committee, and expresses doubt as to making anything but coin legal tender—Urges necessity of measure—Suggests funding in interest-bearing bonds, which shall become the basis of circulation of banks.

JUSTIN S. MORRILL, OF VERMONT..... 138

Opposes bill—Not blessed by one sound precedent and damned by all—Better supply army with Chinese wooden guns than the Treasury with paper money—Will destroy confidence—Will restrict sale of bonds—Opposes demand obligations—As currency their circulation limited to the demands of commerce—Utterly impolitic—Would increase cost of conducting the war—Prices would rise, etc.—Nowhere authorized by the Constitution—Such power never exercised—Purely inferential, if at all—Power to collect and levy taxes ample to provide needed revenue—Must hold to a strict adherence to the Constitution—Not authorized by provision to "coin money, etc."—Will drive out specie—The statement that between 1797 and 1823 the notes of the Bank of England were made a legal tender is incorrect—Terms Austria's issue of notes a forced loan, and states consequences—Congress shall pass no "*ex post facto*" law; when applied to previous contracts it is such—Should apply only to subsequent contracts—Summarizes objections.

ROSCOE CONKLING, OF NEW YORK..... 140

A new proposition, unwarranted by precedent—Had such a power lurked in the Constitution it would be recorded—Would be *ex post facto* legislation—The opinion of the Attorney-General is really against the constitutionality of the measure—Congress has no powers except those which the Constitution confers—If such power is not specifically granted, then there is no such power—Will proclaim a saturnalia of fraud, a carnival for rogues—Points out injustice to creditors, and the ruin incident to a readjustment of values on the resumption of specie—Unworthy of consideration as a pecuniary measure—Congress cannot legislate values up—The people could be permitted to pay taxes with these notes without making the notes legal tender—New York disapproves of this bill—Such a step should only be taken as a last resort.

WILLIAM P. SHEFFIELD, OF RHODE ISLAND..... 141

Such power is nowhere expressed or implied in the Constitution—The tender clause is dishonest—The supporters of this bill trifle with the nation's honor—The legal-tender clause the most odious feature—A forced loan—Enables debtors to sell their specie at a premium and pay their debts in a depreciated money—Cannot conceive a more injurious measure.

FREDERICK A. PIKE, OF MAINE..... 112

The legal-tender clause the essence of the bill—Maintains constitutionality on the ground of necessity to preserve the Union—Does not impair contracts, which are all payable in "legal currency"—Making notes legal tender will add to their value.

HENDRICK B. WRIGHT, OF PENNSYLVANIA.....

Unnecessary—A subterfuge and unconstitutional—Worse than rebellion—An aye vote would be a violation of his oath to support the Constitution—Congress has only delegated powers, no inferential or implied powers—No such delegated power in the Constitution—Ridicules proposition that bills payable at no time and nowhere should be made legal tender—Under the Constitution only gold and silver legal tender—This question came before the Constitutional Convention—Clearly unconstitutional.

VALENTINE B. HORTON, OF OHIO..... 143

Opposed to precedent, right and political wisdom—No proof of its necessity—No want of money, but want of "confidence."

WILLIAM KELLOGG, OF ILLINOIS..... 144

Shall we have a good or a bad currency?—Shall the Government, by making them legal tender, give them intrinsic value?—Will not violate the Constitution—Congress has power to make these notes legal tender—Having power to issue notes gives power to make them of value—Issue to take the place of money—Not dishonest to make them a legal tender—Defines legal tender.

BENJAMIN F. THOMAS, OF MASSACHUSETTS..... 145

Opposed to reason and authority—Questionable validity would injure the paper money more than the omission of the legal-tender clause—Unjust as regards prior contracts—Paper is not money—Impairs all existing contracts—A matured debt not paid by a promise to pay—A forced loan—You cannot command or force credit—No necessity for such a measure—Taxes not increased.

ALBERT G. RIDDLE, OF OHIO..... 145

Confidence the sole basis on which a paper currency circulates—Government paper the same as that of an individual—Legal-tender clause does not add to its value, but only stimulates a dangerous and unhealthy circulation—Violates the whole spirit of the Constitution.

JAMES H. CAMPBELL, OF PENNSYLVANIA..... 146

The only question is whether this measure is necessary to suppress the rebellion.

THADDEUS STEVENS, OF PENNSYLVANIA..... 146

A measure of necessity—Ought not to produce alarm—Constitutional under practice of remitting bills of credit, which carries power to make same a "legal tender"—The necessity to be determined by Congress—Burden thrown on its opponents to show it is not necessary and to suggest a better means—Is it expedient?—No constitutional prohibition against legislation impairing contracts—Impairs no contracts—Have more than once changed the value of coin—The prohibition against *ex post facto* laws refers only to punishment for crime, not to contracts—General debate closed—Substitute authorizing issue of \$100,000,000 3.65% interest payable two years after date, rejected 95 to 55—Original measure passed—Vote in detail—Yeas 93, Nays 59—Geographical distribution of vote.

DEBATE IN THE SENATE.

WILLIAM PITT FESSENDEN, OF MAINE..... 147

A temporary measure, unprecedented, doubtful constitutionality, ruinous to Government's credit, always a failure—Not resorted to in 1812—Lesser resources then than in 1862—Secretary's assurance that it is not a policy, only a temporary measure—Does not believe it necessary to issue more than \$150,000,000—As a policy, ruinous to any people; only defensible as a single measure—Only ground, absolute, overwhelming necessity—Objections: Cannot increase confidence, a confession of bankruptcy, bad faith encourages bad morality, permits creditors to pay debts at a discount, a stain upon national honor—Gold and silver only recognized money—Produces inflation and depression; loss falls heaviest on the poor—Those injured most: First, the poor man; second, small capitalists,

and last, the large capitalist—Everything depends on our credit, better without legal-tender clause than with it.	PAGE
JACOB COLI AMER, OF VERMONT.	149
Notes to circulate at a discount conceded—Bill provides for funding in U. S. Bonds—A financial juggle—Interest payable in money, <i>i. e.</i> , these notes—The alchemists never attempted to make gold out of paper—Aids men to pay debts in a depreciated currency—Impairs contracts—Forced loan without provision for payment—Such bills never paid—Such power never intended to be given Congress, useless if given, except to beget injustice and enable people to cheat—Unconstitutional—Tendency to stretch meaning of Constitution—Not authorized by clause, 'regulate commerce, etc.,' with foreign countries—Of domestic application—Will not regulate commerce—A bill to raise money—Where express power is granted, that only can be relied on—Express power to raise money in but two ways—by taxation and borrowing—This is borrowing—Not as honest as a forced loan.	
TIMOTHY O. HOWE, OF WISCONSIN.	151
Tender not a discharge of debt; merely stops interest—No probability of depreciation—Congress has power to degrade the currency, "to coin money and regulate the value thereof."	
HENRY WILSON, OF MASSACHUSETTS.	151
Shall vote against bill if legal-tender clause is omitted—Would be unjust—A contest between money changers and the U. S.—The people in favor of the legal-tender clause—No harm will come from legal tender—Creditors favor legal tender.	
JOHN SHERMAN, OF OHIO.	152
Only justifiable on the ground of necessity—A pressing necessity that these notes should be legal tender—Within our constitutional power—Dislike to vote for it—Prefer gold to paper money—No other resort—If any other means can be shown, will join in denouncing paper money—No way to pay the U. S. debt but in these notes—Without the tender clause these notes will fall dead on the money market, will have no legal sanction—A more temporary expedient—Dare not repeat it.	
EDWARD COWAN, OF PENNSYLVANIA.	152
Power claimed subverts the Government—In contravention of good faith—Would aid in breaking faith—Is abhorrent to reason, justice and right—Legal tender will not give credit to the notes—Legislation cannot make a note valuable unless it is secured by value—Such experiments have always failed—French assignats—People will require cash down.	
JAMES A. BAYARD, OF DELAWARE.	153
A palpable violation of the Constitution, and will be so decided by the Supreme Court—Unfair to all and especially so to guardians, trustees and executors who will be called upon to account—Impolitic, inexpedient and unconstitutional—A temporary expedient will produce disaster.	
CHARLES SUMNER, OF MASSACHUSETTS.	154
Not unconstitutional—No prohibition—Seems like bad faith—Is it necessary?—Country is rich and powerful—Motion to strike out legal-tender clause rejected—Vote in detail—Approved February 25, 1862—Second issue authorized July 11, 1862; a third March 3, 1863, each for \$150,000,000.	

WHY LEGAL TENDER NOTES MUST GO.

IMPORTANCE OF A RETURN TO SOUND FINANCE.	156
Uncertainty of our ability to redeem paper in gold harasses business and checks investment—Treasury unfit for this constant redemption—Notes should be retired—Have increased demand notes from \$350,000,000 to \$836,000,000, including silver certificates—Preference for gold—Governments issuing legal-tender demand notes have always defaulted—Metal only proper legal tender—Bank of England notes issued by bank, not by Government.	
PRACTICAL TROUBLE WITH PRESENT CURRENCY.	156
Fear of repudiation—Use of overvalued silver coin—Fear of inability to redeem in gold or to maintain parity—Reason for such fears—Gold as the sole legal tender would remove this fear—Contracts payable in lawful money \$25,000,000,000—Uncertainty in regard to, and its effects—Suggests issue of bonds to retire legal tenders.	
Treasury Unfitted for Banking Business.	157
Has no assets like a bank's to procure gold—No control over money market—Compares Treasury receipts with bank's—If government demand notes were retired by bonds, banks could issue notes against these bonds and increase their money inflow—Has no bills receivable payable in gold—Must procure gold by borrowing—Had to borrow gold from abroad—Congress' control of the Treasury prevents proper management—Resources of the Treasury—Dependent for its gold supply on favorable business conditions—Treasury compelled to perform the functions of a bank of issue without its powers—Has no deposits—Capital of National and State banks—Assets of banks readily convertible—Treasury bars itself from getting gold—Banks would have no difficulty in redeeming paper—Unless relieved of redemption notes, the Treasury must be made a solvent bank.	
CONTROL OF OUR PAPER CURRENCY BY CONGRESS.	159
Difficulty, control over Treasury, currency, etc., by Congress—Annual exports of gold for eighteen years—Outflow of gold not caused by withdrawal of foreign capital, crops or tariffs—Gold exported on account of the redundancy of currency—Exports have increased since 1837—Increase in currency due to ignorance of Congress—If issued by banks, would be under the control of experts and meet business needs—Could be easily retired—Should remove from Congress the power of increasing and decreasing volume of paper money.	
NECESSITY AND FEASIBILITY OF GREENBACK RETIREMENT.	160
Shall the U. S. Treasury continue to issue paper money as legal tender?—Legal tenders born in unreason and dishonesty—Have shaken our standard of value—Constitute larger part of our currency—As credit currency, lack prompt redemption, and ready expansion or contraction to meet commercial needs—Constant demand for their redemption since 1892—Importers pay Treasury no gold—Doubt as to ability of Government to redeem its notes in gold—Extracts from President's Message in regard to withdrawals of gold.	
GOLD EASILY OBTAINED TO REPLACE CURRENCY WITHDRAWN.	161
Annual production of gold and importation—Notes could be retired at the rate of \$50,000,000 annually—Present production of gold compared with that between 1878-1888—Foreign holdings of gold—France's accumulations between 1851 and 1870.	
CANCELLATION OF LEGAL TENDERS THE REMEDY.	161
Suggests canceling legal-tender notes, and changing National Banking Act so as to make their issue of notes less profitable, and thus relieve the redundancy of currency—Currency received from sales of bonds appropriated by Congress—Suggests a sale of low-rate interest bond to procure gold to retire legal tenders.	

Other Aids to Retirement	PAGE 162
No fear of contraction if legal tenders are gradually retired—Would not need to import gold—Our annual product sufficient—New bank currency would be issued—Hoarded gold would circulate—Foreign capital would seek American investment—Would release domestic capital—Increased interest would induce larger investments—Regulations of banks a subject for expert investigation.	
What Action Should be Taken	162
Should use gold—Use of overvalued silver and notes cause of distrust—Exports of gold have been withdrawn from Treasury—No inflow—Fear of inability to maintain parity of silver and notes with gold has jeopardized \$25,000,000,000 contracts and reduced annual incomes \$1,000,000,000—Should replace silver and paper with gold at the rate of \$10,000,000 a year—On reform of finances gold would come here—Banks would issue additional currency—Suggests following—Keep gold reserve and note redemption transactions separate from ordinary receipts and outgoes, and use only for redemption—Sell bonds, buy gold and retire U. S. notes—Appoint Commission on Banking, to report January, 1897.	

OUR PAPER CURRENCY.

A CENTURY OF MONETARY FAILURES	166
Our monetary history not one to be proud of—Failure of experiments—Inadequacy of State Banks—Superseded by National Banks—National system failed to supply sufficient currency—Effect of the War upon banking—Greenbacks—A menace to the credit of the government—The quality of greenbacks deteriorated by reason of the issue of Treasury notes—Defects of bank and government paper aggravated by issue of silver money—Silver full legal tender—In case of failure to meet obligations in gold, silver would be used—Have tried six systems during the century—Two standards—Legal tender—Ability of the government to honor its notes—Dependent upon metropolitan banks—Situation of the government.	
MEASURES OF REMEDY	167
Must retire legal-tender paper to bring about order—Greenbacks popular—The Greenback has acquired a prestige which has made it a fundamental factor in our money system—Legality of the Legal Tender Act—A paper currency based upon the mere credit of a central power—The place of the State in issuing money—The recent position of the United States Treasury—The danger of constituting government legal-tender notes the money of banking—The distrust of silver—The use of notes to get gold from the Treasury—Necessity of retiring the legal-tender notes.	
HOW SHALL THE LEGAL TENDERS BE RETIRED	169
Prohibition of re-issues of the notes—Necessary to supply another form of money at the same time and to have means for redemption—Treasury gold reserve available—Other resources—Time of redemption—Necessary to have a substitute—What it should be.	
THE NATIONAL BANKS AS A FACTOR IN CIRCULATION	170
The Failure of their Guaranty System. United States bonds as a guaranty against notes—The ratio of guaranty—Introduced to create market for United States bonds—Superfluously ample security—An excessive guaranty shown in the decrease of National Bank circulation—Percentage of circulation to capital—The present system of bond deposit destructive to note issues and to free use of resources—National banks become State banks—Bank of England—Danger in too excessive a guaranty—Liable to prohibit issues—Economy in guaranty, not exorbitance, is the legitimate principle—Inducements for redemption and elasticity of circulation lessened—Necessity of new form of guaranty conceded.	
An Amended Guaranty	171
Notes should be limited to 75 per cent. of capital—First lien—Redemption agencies—Federal authority.	
Limitation of Issues	171
Importance of a maximum limit—75 per cent. of capital a safe limit—Percentages of National Bank circulation—Capital and supplies of National Banks Oct., 1894—Issue power of banks under a 75 per cent. limit—Probable issue of National Banks—Issues would not entirely effect the retirement of legal-tenders—Necessity of another source of issue.	
Is the Proposed Guaranty Sufficient?	172
Sufficiency of the guaranty—Guaranty of shareholders—Assets and shareholders—Under the new methods notes might not be redeemed as promptly—Necessary to guard against any distrust of the bank currency—Failures of National banks 1893—Amount of capital of banks in hands of receivers for 30 years—Proportion of capital of failed banks to total capital—Probable yearly failures banks under the new system—Protection of note-holders—Reports of the Comptroller of the Currency for 30 years—Guaranty from assets and shareholders would afford a larger ratio of protection than the deposits of United States bonds under the National system.	
THE STATE BANKS A NECESSARY FACTOR	173
Their Present Status. Question as to right of State banks to issue notes—Tax on State bank issues—Banking institutions invidiously divided—Encourages abuse of Federal power—Excuse in the unsoundness of ante-bellum currency—National bank notes entirely stable—Wildcat currency no longer a possibility.	
Rights and Duties of Government	174
Government has certain rights and duties—Paper money should not be exposed to depreciation—The National Government should concern itself in the solvency of the issuers—This principle fully recognized in the powers conferred by the Constitution—No question raised as to the exercise of these powers—Not warranted in applying them by means of a prohibitory tax—Duty to see that notes are of proper quality the office of Congress—Guaranties required—Issue of State banks identical with issues of National banks—State banks and National bank issues to supply deficiency caused by redemption of legal-tender notes—Present capital of State banks—Probable issue of notes by them—Retirement of legal tender notes impossible without co-operation of State banks—Prejudices must be surrendered.	
Current Redemption of Notes	175
Necessary to provide a new system of redemption—Possibility of inflation—Manner of redeeming notes—Object of banks to keep circulation in the field—Competition regulates circulation—Note clearing a necessity—Redemption agency of the National banking system a failure—Suffolk bank redemptions 1857 more than those of the present—The present system ineffective—Difference in cost of redemptions of Suffolk and National systems—Country should be divided into districts each having an agency of its own—Each agency to forward to issuing banks for payment all notes presented.	
THE VOLUME OF CURRENCY	177
What changes would occur in the volume of currency—Gold reserve would circulate—Summary of circulation under the new system—In the event of too great expansion, Secretary of Treasury might order a temporary suspension of issues.	

THE SILVER FACTOR	PAGE 177
The further issue of silver currency permitted—New issues of bank notes to be payable in gold —Present silver currency may be kept at par by large gold reserve—A question of expediency.	
SUMMARY OF FOREGOING PROPOSALS	178
Authorize redemption and cancellation of all outstanding United States notes and Treasury notes of July 14, 1890—Not to re-issue legal-tender notes—Banks having \$25,000 capital, or over, to issue notes to 75 per cent. of paid-up capital—Establishment of six redemption agencies.	
 THE WORLD'S BANK-NOTE SYSTEMS.	
UNITED STATES	182
National Banks only issuers since 1866 of bank notes—Incorporation—Capital—Notes issued against U. S. Bonds deposited with U. S. to 90 per cent. of par value—Limit 90 per cent. of capital—In case of failure bonds sold, and Government redeems notes—First lien on banks' assets—Banks maintain redemption fund of 5 per cent. with Government—Withdrawal of circulation—\$5 smallest note denomination—Limitation of circulation—Government supervision and powers—Legal-tender quality limited—Redemption—Bonds to be deposited whether notes are issued or not—Currency not elastic—Statement of capital—Circulation, etc., of National Banks.	
GREAT BRITAIN	183
England	183
Bank of England, origin—Private bankers issuers of notes to 1826—In that year establishment of branches—Permission to joint-stock companies to issue notes—1844—Peel's Bank Act—Basis present currency system—May issue at present £18,800,000 secured by Government securities—Further issues to be fully covered by coin—Notes practically gold certificates—Act of 1844 limits power of issue to banks or bankers then issuing notes—Maximum circulation of country banks—Should another resign or lose power of issue, its right inures to Bank of England—Present issuers of notes—Special basis note security—Stockholders of Bank of England liability—Liability of stockholders of other banks—No lien on assets—Branches—Redemption, conditions—No elasticity—Gold must be imported to increase circulation—Light margin of elasticity in circulation of other banks—Suspension of the Bank Act in 1847, 1857 and 1866—Notes of B. of E. since 1833, when legal tender—Denominations—Weekly account.	
Scotland	186
Bank of Scotland—Royal Bank 27—British Linen Company—In 1845 Act regulating Scotch and Irish banks similar to that of 1844 regarding Bank of England—Currency based on commercial paper—Unlimited branches—Notes payable only at head office—Liability of stockholders—Ten banks of issue—Tables.	
Ireland	187
Bank of Ireland similar to Bank of England—Led to creation of joint-stock banks—In 1845 system changed to conform to that of Scotland—Branch bank system like that of England—Notes payable at branch where issued—Since 1846 six banks of issue, with authorized uncovered circulation of £6,354,494—Present issue against coin £3,400,000, and about £3,000,000 uncovered—Table of circulation December 31, 1895—Summary of circulation.	
CANADA	188
To organize must procure charter from Parliament—Capital stock, \$500,000—Dividends—No limits to branches—Sixteen banks maintains 340 branches—Shareholders' liability—With two exceptions banks may issue notes to amount of paid-up capital—No issue under \$5—40 per cent. of reserves—Notes a first lien on all assets—Redemption Fund of 5 per cent. of average circulation—Notes of failed banks draw six per cent. interest—Mutual contribution—Redemption agencies to be maintained—Monthly returns to Minister of Finance—Number of banks and capital—Elasticity of system—Notes promptly paid—Table of circulation, etc.	
FRANCE	190
Since 1848, the Bank of France has been the sole bank of issue—Capital belongs to shareholders—The Governor and two Sub-Governors appointed and removable by the Government—Capital—Charter expires December 31, 1897—State has no share in profits—Taxes—Circulation—Must maintain branches—Coin reserve—Denominations of notes—1848-1850 and 1870-1878 notes made legal tender—Payable in coin on demand—May pay in either metal—May charge a premium on redemption in gold—Metallic reserve large—Monthly statement, showing specie reserve, etc.	
GERMAN EMPIRE	191
Condition of currency prior to 1871—National bank—Government control—Bank of Prussia—Increase of capital—Made the Imperial Bank of Germany—A Government institution—Ownership—Restrictions as to other banks—Basis of currency—Uncovered issue—Excess, to be issued against—Reports quarterly—Smallest note 100 marks—Amount of circulation—Influence of English system—Elasticity, how assured—Notes not legal tender, but receivable by banks—Branches and auxiliary agencies—Redemption—Not a first lien on assets—Statistics.	
AUSTRIA-HUNGARY	194
One bank of issue—Branches in all principal cities—Capital \$45,000,000—Private institution—Issue to be covered to extent of two-fifths by coin—Are legal-tender.	
BELGIUM	194
One bank of issue—"La Banque Nationale"—Corporate bank—Government shares in profits—Government's fiscal agents—Capital—Branches and agencies—Notes, where redeemable—Issue limited—Denominations—Monthly reports to Government—Circulation, etc.	
SWITZERLAND	195
Two kinds of banks of issue, those founded by private enterprise, and those with cantonal assistance—Oldest "St. Gall"—18 cantonal banks—Capital furnished by cantons who are responsible for debts—13 private institutions—3 banks of mixed systems—Branches—Banks of issue unlimited—Establishment—Subject to Federal inspection—Notes delivered by Federal authorities to banks—Metal reserve of 40 per cent. of issue—Redemption mutual of notes—National bank—Circulation.	
NETHERLANDS	195
Bank of Netherlands, sole right to issue notes—Charter subject to State supervision—President and Secretary appointed by the King—Branches and agencies—Metal reserve—Since 1872 has purchased no silver—Circulation and reserve.	
NORWAY	195
Bank of Norway, only bank of issue—Joint stock—State principal shareholder—Under direction of State—Issue limited—Circulation, etc.	
SWEDEN	196
Bank of Sweden, State Bank—Managed by Government Commission—Banks of issue, companies, may operate by authorization of the King—Charters renewable—Capital and reserve fund—Circulation limited—Notes private banks not legal tender and their issue limited—Circulation reserve, etc., of Bank of Sweden,	

	PAGE
DENMARK	106
National Bank; only bank of issue—Capital raised by taxation—Owned by taxpayers—Dividends—Management—Reports to Bank Commissioner—Stockholders' liability—Capital—Metal fund—May is-ue uncovered notes—Metal fund to consist of—Notes redeemable in gold—Acts as intermediary between Mint and persons desiring to have gold coined, <i>deducts for coinage expenses</i> —Circulation.	
ITALY	197
Cash reserve—Three banks of issue, Bank of Italy, Bank of Naples, Bank of Sicily—Right of issue granted to these three institutions for 25 years from 1893—Issue of notes limited—Cash reserve—Required to make advances to government, on certain conditions—Taxes—Surplus circulation—Bank notes now about 8 per cent. below gold value—Circulation and reserve of above three banks.	
GREECE	198
Three banks of issue—Branches permitted—Notes are an irredeemable legal-tender paper currency—Circulation to be issued for government and bank uses—Taxes 5 per cent. on dividends—Balance sheets, etc.	
SPAIN	199
One bank of issue, Bank of Spain, charter expires 1921—Capital, 150,000,000 pesetas—Not a State bank—Taxes on profits—Branches—Issue limited—Notes legal-tender circulation—Gold at a premium of 18 per cent.	
PORTUGAL	200
One bank of issue, Bank of Portugal—Managed by governor appointed by Government and ten directors elected by shareholders—Twenty branches—Notes are not legal tender—Are the principal currency, and at present irredeemable.	
RUSSIA	200
Sole bank of issue, Imperial Bank of Russia, part of the Imperial Treasury—Notes practically government notes—Below par—Bank's gold reserve—Grand Duchy of Finland—Currency on a gold basis—Finland's bank, sole bank of issue—Governed by State board.	
TURKEY	200
One bank of issue, Imperial Ottoman Bank, under supervision Imperial Commissioner—Required reserve 33 1-3 of circulation—Actual reserve greater.	
ROUMANIA —Bank of Roumania, only bank of issue—Reserve 40 per cent. gold.....	201
SERVIA —National Bank of Servia, sole bank of issue—Specie reserve, 33 1/4 per cent.....	201
JAPAN	201
National Bank system not a success—In 1882 was established National Bank of Japan, Capital, 10,000,000 yen—One-half subscribed by government—Notes convertible into silver—Conditions of issue—Withdrawal by government of previous national bank currency, etc.	
CHINA	201
No native banking companies—Private bankers and foreign banks—Hong Kong and Shanghai Banking Corporation—Branches' reserve, 3 1/2 per cent.	
AUSTRALASIA	202
Victoria, Queensland, South Australia, Western Anstralia, New South Wales, New Zealand.	
MEXICO	202
National Bank of Mexico—Notes receivable for taxes—Not guaranteed by State—Issue limited—Government supervision—May establish branches—Advances to government, for whom it acts as fiscal agent.	
SOUTH AMERICAN STATES	202
Argentine Republic —History banking system—Banco de la Nacion sole bank of issue.	
Brazil —Banco da Republica de Brazil responsible for existing circulation—Ultimate responsibility with government.....	203
Chile —Present banks of issue—Over half of circulation issued by Bank of Chile—Must deposit full security for issues—A first lien on assets of banks.....	203
Ecuador —Three banks of issue—Reserve, 33 1/3 of circulation.....	203
Uruguay —Two banks of issue—Limit of circulation double amount of capital—Notes payable in gold on demand—Notes a privileged demand on banks.....	203
SITUATION PRINCIPAL BANKS OF ISSUE	204

NATIONAL AND STATE BANKS.

OBJECT OF NATIONAL BANKING SYSTEM	206
A matter of currency reform and replenishing treasury—Amount of fiscal aid to government at close of war.	
THE TAX ON STATE BANKS' NOTES	206
Adverse report of Committee of Ways and Means on National Banking System—History of Bill to its passage in House and Senate—Tax on State Banks—Question as to Constitutionality—Object of Tax—Blame of a bad currency on last generation.	
STATE BANK SYSTEMS	207
Good and bad systems.	
State Bank of Indiana	207
When incorporated, 1834—Capital Stock—Subscribed by State and individuals—Organization—Officers—Branches—Earnings and dividends belonging to shareholders exclusively—Each branch liable for debts of other branches—Assets and liabilities—Business, kind of, defined by law—Discounts—Voting power limited—Directors individually liable for infractions of the law when not voting against—Absence of directors—History of the bank crisis of 1837—Re-charter, 1855—Dividends—State prevented from becoming a shareholder in any bank or other corporation—Note—Amount of surplus turned over to the State—General Banking law.	
State Bank of Ohio	209
Origin of bank—Banking law of 1845—Branches limited to seven—Commissioners—Dominant idea of bank security of noteholders—Amount of notes—Safety fund, 10 per cent. for protection of noteholders—Liability of branches—Assessments in case of failure to redeem notes.	
Louisiana Bank Act of 1842	209
Bank calamities of 1842—New banking law: Specie reserve; Two-thirds commercial paper;	

	PAGE
Banks examined by board ; Bank directors liable ; Shareholders at least fifty ; Bank to pay out only its own notes ; Balance to be paid every Saturday ; Mortgage loans made ; Bank act of 1842 scientific ; Requirement of specie against liabilities—Effect of this law on banking in the State.	
Massachusetts and the Suffolk Bank System	210
Bank law before war two parts—Limited amount of stock held by one person to one-half of total amount in bank—Directors' stock not to be pledged for debt—Debits and credits limited—Directors liable for violation of this—Payment of notes—Noteholder paid in case of failure—Specie reserve 1858—Free banking—Redemption of notes at Boston—Resistance by country banks—Suffolk system subjected notes to daily test—Governing principle in three systems examined.	
Free Banking Law of New York	211
The free banking system a step backward—Origin of it—Specie system and bank charters in New York—The free banking law 1838 a reaction—Principle of—State bonds ruled out, except those of New York—Mortgages kept up to a high pitch—Law of 1892—Free banking system in Ohio and Massachusetts.	
Free Banking in the West	212
Illinois 1851—Capital required \$50,000—Provisions of the law in that State—The only idea in law security of circulating notes—Free banking law of Indiana similar to that of Illinois—Difference in amount of notes issued on securities—Specie reserve—Free banking law of Wisconsin, 1853—Did violence to banking principles—Circulating notes issued to full amount of the bonds of States deposited—First mortgage bonds of railroads received—Directors' and stockholders' personal bonds one-fourth of amount of circulating notes—Money lent on real estate security to any extent.	
Wild-cat Currency Experience	212
Free banks generally turned out bad—The theory of their existence—Methods of doing business—Effect of the crisis of 1857—Design of the lawmakers turns out to be a speculating scheme—An example—Issue of circulating notes by the Government—Amount put in circulation—Money still scarce—Russia and Austria—Hungary storing gold—Power of the U. S. to draw gold greater than these two combined.	
THE "BANKING PRINCIPLE"	214
Banking and Currency Principle opposed—Banking principle, all trade is barter—A bank to facilitate trade—A bank note cashier's check on the bank—Better than private checks—Economizes the use of capital.	
THE "CURRENCY PRINCIPLE"	214
Government to furnish currency—In England bank issues this—Bank accountable to government—Amount received from Bank by the English government—Fiduciary issue based on government securities—Bank of England perfect example of currency principle—Bank of France is a perfect example of banking principle.	
THE TRUE PRINCIPLE	215
Banking principle true one in theory—Barter reduced to science—The currency principle has its "raison d'être"—First requisite is the security of noteholder—Deposited securities did not save noteholder from loss before War—Louisiana, Massachusetts and State Banks of Indiana and Ohio did not protect noteholder—Note issuing against deposited securities erroneous in principle—Banks organized for discounting short time commercial paper not for long time loans.	
BANKING ON SECURITIES DOOMED	215
System of note issuing on deposited securities is destined to perish—Absorbs bank's capital—Note issuing feature of national banks disappearing—Banking feature will not die—National Bank circulation at its maximum December, 1872—Fall by September, 1891—More confidence in national than in State oversight—National system uniform—State not.	
HOW TO PRESERVE THE NATIONAL SYSTEM	216
Note issuing a desirable part of—Will supplement system of supplying currency by means of silver bullion—National system can be improved by slight change of law—Make present tax on bank notes basis of safety fund—Tax rate computed on failure of national bank in 25 years—The government to be responsible for the notes—To retain first lien on assets of insolvent banks—All the provisions of existing law excepting bond security to be retained—Report of Comptroller 1891—Total amount of notes of insolvent banks—Safe for the government to continue its responsibility—Proportion of bad to good—Provisions for protection of noteholder under the law—Provisions for protection of noteholder under the new proposition—Note circulation of national banks average 1864–1894—The necessity of doing something.	
THE "SAFETY FUND PRINCIPLE"	218
Adopted in New York 1829—Principle of New York law—Intention to protect noteholders only—Fund started 1831—Number and strength of safety fund banks 1835—History of the safety fund in New York—Fund applicable to all the liabilities of insolvent banks—John J. Knox's compilation—If applicable only to circulating notes would have redeemed every insolvent bank note—Millard Fillmore's figures—A surplus left if applied only to notes—Comptroller Flagg's Constitution 1846—The banking axiom—Mr. Knox's change of mind in regard to Safety Fund—Difficulties of the system—New York's experience—Mr. Knox's later views—Recommendation of extension of U. S. bonded debt—Objection to this plan serious—Banks would be just where they are now—The present system stiff—Popular objection—The present tax on national bank notes—A small sum realized—Possibility of—Tax could be remitted when safety fund reached the required limit—Necessary for the government to continue responsible for note issues—Right step taken in redeeming silver notes in gold.	
BANK NOTE INFLATION	220
The limit to the national bank notes redeemable in gold—Limitation of circulation to amount now established to remain—No such thing as bank note inflation on a gold basis—Prof. Dunbar—A bank powerless to put notes out or to keep them out—This power resides in the hand of those who hold checks on the bank—Requirement of bond security for bank's notes did not prevent panics.	
CONCLUSION	220
No need of State bank notes—Nobody for unsound or unsafe currency—Prejudice against national banks—Reason—Presented plan destroys prejudice—Would put an end to silver purchases—Danger of free coinage passed—Necessary to do something—Governments have no facilities to furnish moneys to the people—Financial heresies caused by Legal Tender Act of 1862—Would not have existed but for it.	

STATES AS BANKERS.

CLASSES OF INSTITUTIONS COMPRISED	222
Scope of the pamphlet—State banks owned and managed by the State—Difficulty in discriminating.	

	PAGE
COLONIAL EXAMPLES	222
Forerunners of later State institutions—Banking then in its infancy—Colonial issues of paper money—Massachusetts Land Bank—Additional loans—Secured by mortgages—Frequent litigation in the settlement of the mortgages—Paper currency depreciated—Rhode Island—First bank, 1715—Issues loaned to inhabitants at 5 per cent.—Second bank—Pennsylvania—Issues loaned on land security—Bills made legal tender—Redemption of notes—New Jersey loan banks—Georgia—Issues small—South Carolina—Public bank to accommodate domestic trade—Amount of notes issued—Depreciation of notes.	
STATE EXPERIENCE	223
Vermont	223
Creation of Vermont State Bank in 1806—Its management—Branches—Right of branches to borrow money—Limitations—Issue of notes—Plates and paper for printing notes constitute only capital—First report to Legislature 1807—Additional branches—Deposit of State funds to inspire confidence—Credit of the State pledged for redemption of notes—Bank suffers from want of punctuality on the part of debtors—Summary judicial process—Amount of loans restricted by the State—Bills made legal tender for taxes—Condition of bank 1811—Redemption of notes by land tax—Loss to the State—Statement of the condition of the bank, 1808-1822—Affairs of the bank not settled until 1845.	
Kentucky	225
Charter granted to the Kentucky Insurance Company—First Bank of Kentucky, 1806—Capital stock—State one-half owner—Management of the bank—A political institution—Acts concerning the bank—Branches—Charter extensive and repeal in 1822—If left to itself the old bank would probably have been a success—Notes in circulation 1835—Feeling against the bank and the chartering of independent banks—Suspension of specie payments, 1818—Independent banks collapse by the action of the United States Bank—Bank of the Commonwealth of Kentucky—Tennessee lands set aside as a guaranty for the payment of circulation—Features of the Charter—The old Bank of Kentucky then prudently managed—The old board superseded—The notes of the new institution to be received by the older one—Ruined the old bank—The new bank as a contributor to public instruction—Condition of the bank and its branches—Circulation—Depreciation of notes—Replevin Act—Struggle between the Legislature and the judiciary—Question as to the violation of Constitution by the issue of bills of credit—Decisions of Supreme Court of the United States—Attempt of bank to settle its affairs—Other attempts at banking—Bank of Louisville—Kentucky and Northern Bank of Kentucky—State subscriptions—Branches—Division of United States surplus to pay for shares subscribed by the State—Bank of Kentucky well managed—State sold its stock 1877—Circulation of the three institutions.	
Delaware	228
Delaware still in the business of banking—Farmers' Bank of Delaware—Capital and subscriptions—Management and branches—Circulation—Condition of the bank at the present time.	
North Carolina	228
State Bank chartered 1810—Conditions of subscriptions—Attempt to reduce debts—Failure to maintain specie payments—Condition of the bank 1831-1833—The new Bank of the State of North Carolina, 1833—Branches—Capital, loans and discounts, circulation, 1835-1858—Bank of the State of North Carolina superseded in 1859 by Bank of North Carolina.	
South Carolina	230
State Bank chartered to relieve financial situation 1812—The faith of the State pledged to support the bank—Conditions of charter—The State the sole proprietor—Profits from the bank—Charter renewed—Capital, circulation, loans and discounts, 1814-1860—Charter extended—The bank closed 1870.	
Indiana	231
Adoption of banks by the State as State banks—Subscriptions—Branches—Violations of the charter—Failure—State Bank of Indiana—Management—Branches—Liabilities of stockholders—Circulation of the bank and its branches—No other bank—Bank remained solvent during crisis of 1837—Suspension in 1838—Denominations of note issues—Statistics of condition—Resumption of specie payments in 1841—Amendment to the Constitution forbidding the State to engage in banking—Profit to the State—A successful enterprise.	
Mississippi	232
Reorganization of the Bank of Mississippi—Subscriptions—Establishment of Planters' Bank, 1830, in violation of pledge of 1818—Capital, \$3,000,000—Management—Circulation limited to three times the capital stock—The State transfers its interest to the Mississippi Railroad Company—Capital, circulation, loans and discounts, 1833-41—Mississippi Union Bank, a real-estate bank—Loans to be negotiated through bonds of the State—Nicholas Biddle sells the bonds—Circulation—Management visionary—Report of Governor to the Legislature—Bonds repudiated by the State.	
Illinois	233
Only a State bank permitted by Constitution of 1818—Incorporation of the State Bank of Illinois—Subscriptions—Bank never organized—State Bank of Illinois, 1821—A loan bank—Notes made receivable for taxes—Method of lending—Notes depreciate—Loss to the State, \$400,000—Attempts to recall loans—Notes burned—The Wiggins loan—The bank's affairs closed—No banks 1831-1835—A new State Bank, 1835—Charter—The State to hold stock—State interest in the Bank of Illinois at Shawneetown—Extensive internal improvements—State subscribes \$3,000,000 to the two banks—Both made agents of the State—Notes of the bank receivable for taxes and all public dues—Suspension of specie payments—Loans to the State—Failures of the banks 1842—Depreciation of notes—Bank paper refused acceptance by the State—Plans for liquidation—State stocks canceled—Prohibition of State Bank by Constitution.	
Tennessee	236
Varied banking experience—State Bank of Tennessee, 1820—A loan bank—To issue bills upon security of borrower—Notes guaranteed by the State—General Jackson's denunciation of the bank—Irregularities in management—Closed in 1832—The Union Bank, 1832—Planters' Bank—New State Bank of Tennessee, 1838—State sole owner—Obligations of the new bank—Gov. Johnston's recommendation—Investigation—Statement of the conditions of the bank—Profits less than 6 per cent. per annum—Affairs of the bank closed—Depositors lose—Notes paid in full.	
Alabama	238
Constitution favorable to banking by the State—Incorporation of the Bank of the State of Alabama, 1820—State to own two-fifths—Failure to secure subscriptions—A second attempt, 1823—Capital furnished wholly by the State—Circulation at discretion of President and Directors—Funds set apart for the capital—Money to be loaned apportioned among the counties—Branches—Amount of capital, circulation, etc.—Debts—Reduction of circulation—Scandal in reference to the bank's affairs—Charter expired 1845—Loss to the State—Constitution 1867 forbids State banks.	
Louisiana	240
Bank of 1818—State interest small—Bank of Louisiana 1824—State subscribes one-half of capital—Profits to the State—Stock sold to redeem bonds—Union Bank of Louisiana incorporated in	

	PAGE
1832--Actual capital, \$7,000,000, derived from sale of bonds issued by the State--\$10,000,000 Bonds issued in aid of the Consolidated Association and Citizens' Bank--Position of the State as a stockholder--Failures 1842--Liquidation of banks--Reorganization of Citizens' Bank--Banking business renounced in the Constitution of 1852--Circulation of banks, 1835-62.	
Georgia	241
Early banking experience--Bank of the State of Georgia--State subscriptions--Bank of Darien--State also interested in Bank of Augusta, Planters' Bank of Georgia--Complaints of financial distress about 1825--Attempts to relieve it--Objects of the State in establishing the Central Bank of Georgia in 1828--Condition of the bank--Capital increased by addition of the State share of the surplus revenue--Circulation--Difficulty in closing the bank's affairs--Loss to the State.	
Florida	243
Banks chartered by Territorial Legislature--Bank of Pensacola--Southern Life Insurance and Trust Company, Union Bank of Florida--State not a stockholder, but loaned credit in the shape of bonds--Union Bank of Florida--Subscriptions and conditions of organization--Sale of bonds--Imprudent management--New issue of loans--Question raised as to right of a Territory to charter banks--Investigation by the Senate--Attempt of territorial banks to secure recognition--The State disregards their claims.	
Arkansas	245
The Constitution provides for banking by the State--Plans for a State bank--Capital--Plan interfere with by the panic of 1837--Sources of capital--Object of the bank--Post notes--Difficulty in selling bonds--Condition of the bank--Resumption of specie payments, 1839--Notes of distant branches paid out--Attempt to establish new branches--Second suspension of specie payments--Troubles of the bank--The bank in liquidation--Treasury warrants issued--Gov. Drew's message--Attempt to collect debts due the bank--Accounts of the bank with the State.	
<i>The Real Estate Bank</i> --An act to establish a real-estate bank--Subscriptions secured by mortgaging real estate--Capital realized by sale of bonds--Suspend specie payments--Reason given by the bank's President--Expansion of circulation--Depreciation of currency--Difficulty in collecting debts--Circulation, loans and discounts 1840-1844--Assignment of the bank--Price of bonds and notes--Assets of the Real Estate Banks--Unredeemed bonds funded by the State.	
Missouri	249
Constitution on banking--Establishment of loan offices--Unconstitutional--Bank of the State of Missouri, 1837--Circulation limited--Amount of coin and circulation--Did not suspend specie payments 1839--Capital of bank and its branches--Circulation 1863--Constitutional inhibition against other banks removed 1854--Constitution of 1875 prohibits State ownership of banks.	
COMPARISON SYSTEMS AND SPECIAL FEATURES	250
Classification of State banks--State interest in capital and share in management large--Real estate and property banks--Capital secured by sale of State bonds--Stockholders principal borrowers--Entire capital furnished by some States--Loan certificates like colonial issues--Branches operated by all the banks--Connection between branches and parent bank--Stimulus given to State banks by the distribution of the surplus.	
STATUS WHEN NATIONAL BANKING SYSTEM INAUGURATED	251
Condition of these banks when national system was introduced--A great many already out of existence--Institutions remaining--Mass of debts left behind.	

NEW ENGLAND BANK CURRENCY.

BANK NOTE ISSUES IN COLONIAL NEW ENGLAND	254
Scarcity of "coyne" in Massachusetts, 1686--A short-lived bank the remedy--Proposals of the General Court in 1701-1714, demand for private bank based on real estate--Issue of bills by the Province--Private issues forbidden by Parliament--Other provincial issues 1716, 1721, 1728--Issues by merchants of Boston, 1733--Land Bank, and specie or silver bank, 1740--Opposition to Land Bank by the government of the Colony--Institution closed by act of Parliament--Silver bank circulation prohibited by Parliament--Note issues in New Hampshire--Notes of an uncertain and sinking value--Statute against them by the Legislature--Rhode Island loan issues carried to the extreme--First bank 1740--Other issues--Issues of bills by the Colony of Connecticut--New London Society united for trade and commerce--Charter repealed for imitating Colonial notes--The Colony redeems the company's notes and loans out Colonial notes.	
MASSACHUSETTS STATE BANK CURRENCY	255
Bank of North America granted a charter in Massachusetts--Massachusetts Bank, 1784--Circulation of notes--Directors held liable for excessive issues--Union Bank of Boston--State subscriptions to capital--Loans to the State--Other charters granted--State largely interested in banking--Nantucket Bank--Merrimac Bank--Restraining Act of 1799--Prohibition against notes less than \$5 repealed 1805--Percentage of small notes to circulation increased--Reports required--Growth of banking system--1805-1810, circulation unstable--Crisis, 1819--Contraction of currency--Provisions against counterfeiting--Effect of the expiration of the charter of the Bank of the United States--Incorporation of banks to take its place--Charters of the Merchants and the State banks, 1811--Stockholders liable in case of mismanagement--Circulation limited to twice the capital--Condition of banks, 1812--Increase of banks, 1822-1829--Limitations put upon them--Did not suspend specie payments, 1814--Specie drawn to New England--Specie held by banks, 1811-1814--New banks--Bank failures--Bank law of 1829--Circulation and debts limited--Stockholders liable--Deposit books--Banks rechartered 1831--Increase in the number of banks--Method of raising capital--Bogus financing--Stringency of money--Banking system buoyed up by a speculative mania--Bank failures 1836-1837--Boston banks suspend specie payments--Scarcity of small change met by fractional notes--Legislature legalized suspension--After January, 1839, a penalty of 2 per cent. for not making specie payments--General resumption--Frequent bank failures during period of liquidation--Mortality of speculative banks 1831-1845--More efficient supervision necessary--Board of Bank Commissioners--Lesson of experience--Decrease in the number of failures--Changes in the banking laws, 1851--Free banking, 1851--Conditions of organization--Notes to be secured by deposit of public stocks--Not a successful measure--Manner of avoiding the law--Few banks incorporated under it--Bank mania, 1850-7--Report of Bank Commissioner--Excess of bank capital promotes speculation--Publicity of banks' condition--Expansion and crisis, 1857--Contraction of circulation--Strength of banks, 1861--Legislature facilitates transformation of State into National banks--Statistics of banks of Massachusetts.	
RHODE ISLAND STATE BANK CURRENCY	261
Providence Bank, 1791, the pioneer--Reasons for incorporating--Subscriptions reserved for State and United States--No mention made of note issues--Liability of stockholders limited--"Bank Process"--Bank of Rhode Island, 1795--Power to obtain executions against the estate of debtors--Great advantage of banks over other creditors--Investigation of the "bank process"--The Dartmouth College case--Power of banks to collect debts limited to that possessed by indi-	

	PAGE
viduals—Number of banks in existence 1805—Note issues unrestricted—Attempts to do away with embezzlement and fraud—Cases of fraud—Regular reports demanded by the Legislature—Circulation limited to amount of capital paid in—The Hope Bank—Change in Charters—Development in banking in Rhode Island, 1826—Causes for the growth of banking—Effect of manufacturing depression on banks—Bank failures—Liability of stockholders increased—Legislative acts in relation to banking—Bank Commissioners to report to Legislature—Results of bank examinations—Suspension of specie payment, 1837—Note circulation restricted—Exchange of notes—Banks to receive their own notes as deposits—Circulation, 1837—Panic of 1839 not severe on the Rhode Island banks—Legislative safeguards—Statistics of banks of Rhode Island.	
CONNECTICUT STATE BANK CURRENCY	265
Hartford Bank, 1792—Charter modeled after Bank of New York—Distrust of paper money—Union Bank at New London—Charter—Issue of small notes—Solicitation on part of bank's managers—Redemption of notes held at Boston—Union Bank's redemption agent in Boston—Other banks, New Haven, Middletown and Norwich—Proceeds of Revolutionary stock used to make subscriptions to bank stock—Reports required—Charters granted to other banks—Limitations on note issues—Mainstay, commerce and shipping—New England at an advantage with Sound Money—Movements of trade—Connecticut notes hoarded—Issue of suspended banks filled the vacuum—General Assembly grants right to issue post notes—Conditions of the Circulation—Facilities—Fractional notes—Authority to issue post notes withdrawn—First bank failures—Incorporation of additional banks—Provisions of charters after 1830—Note holder first lien upon bank assets—Officers of bank liable—Issue of small notes forbidden—Practice of forcing circulation abandoned—Bank Commissioners—Specie reserve—Panic of 1857—Contraction of circulation—Free Bank act, 1852—Preference for chartered bank system—Circulation limited to 125 per cent. of capital—Change of redemption center of the western banks from Boston to New York—Become National Banks—Statistics of Banks of Connecticut.	
BANK CURRENCY OF OTHER NEW ENGLAND STATES	268
Maine—	
Incorporation of Portland Bank 1799—Other banks established—Banking boom—Number of banks when admitted as a State—Circulation limitations—Restrictions loose—Bank failures—Banking Law of 1831—Liabilities of Directors—Circulation of notes limited—Penalty for suspension of specie payments—Bank Commissioners—Bank expansion 1831—Speculative character of banking—The "Suffolk System" of redemption a check on excessive issues—A "State" bank proposed—Increase in number of banks—Cry for more money—Failure of banks 1837—Reduction in circulation and banking capital—Loss to bill-holders and stock-holders—Law prohibiting small bills defeated by bills from other States—Limitation of 1838—Senate Committee on Banks 1846—Act August 10, 1846—Bank charters extended—Specie reserve defined—Penalty for over-issue—Period of speculation 1850—Speculation stopped by crisis of 1857—Note-holders secured—Statistics of banks of Maine.	
New Hampshire	272
First bank—New Hampshire Bank, 1792—Incorporation of other banks—Original charter of the Concord Bank—Lack of data as to depreciation of currency—Annual reports required—Capital and circulation of banks 1831—Limitations on circulation—Loans to stockholders on stock—Pledges on stock deemed a diminution of capital—Quarterly reports required—Small notes forbidden—Decrease in number of banks—Statistics of banks of New Hampshire.	
Vermont	273
Reasons for creation of the Vermont State Bank—Its organization and subsequent history—Bank process similar to Rhode Island—Bills made legal tender for taxes—Taxes levied by State to redeem bills of the bank—Loss to State—Bank of Windsor—Stockholders liable—Incorporation of other banks—General banking statute 1831—Specie payments required—Statistics of banks of Vermont—Deposits, circulation—Directors required to give bonds—A Safety Fund Act 1831—Object of it—Conditions and provisions of the Act—In 1842 banks relieved from contributions to the Safety fund by the substitution of directors' bonds—Requirement for the payment of capital—Tax on Capital instead of profits—Tax remitted to banks keeping deposit at Boston—First recognition of the Suffolk banking system—Essex bank—Report of the Committee of the General Assembly—Circulation limited to twice capital.	
CURRENT REDEMPTION	276
Development of bank-note redemption—D. R. Whitney on the Suffolk Bank—Difficulties of banking in early days—Depreciation of notes—Early methods of banking—Foreign and current money—Boston Exchange office—Object of the institution—Attempt to enforce redemption of foreign notes—Caused failure of several banks—Boston notes hoarded—Method of using foreign notes—Attempt to reduce the loss and expense of discounting—The proposition of the New England Bank.	
The Suffolk Bank System	277
New England bank's system not altogether satisfactory—Incorporation of Suffolk Bank—Report of the bank's committee on foreign exchange—Plan of the system—Competition lowers the discount—Country bank bills still kept in circulation—Statement of Boston Banks' circulation and capital in comparison with country banks—Report of a committee of the Directors of Suffolk bank—Agreement between Suffolk bank and other Boston banks—Conditions of the agreement—Opposition of country banks to the system—Deposits with the Suffolk bank—Effects of the system upon the circulation of the country banks—Increase in circulation of Boston banks—Method of dealing with refractory banks—Hostility to the system abates—Position of the Suffolk bank—Maine banks bitterly opposed to the system—Report of the Maine Bank Commissioners opposed to the Suffolk bank—Later opinions from the Maine Commissioners favorable—Method of redemption—Increase in redemption business—Attempt to reduce the business—Sub-system of redemption in Rhode Island through the Merchants' bank—Effect of the suspension of specie payments upon the Suffolk system—Expenses of the bank in redeeming notes—Comparison of expenses of the two systems, National and Suffolk—Comparison of the two systems in other respects—Amounts redeemed, 1834-1858.	
The Bank of Mutual Redemption	281
Success of the Suffolk bank—Attempt to establish a co-operative redemption bank—Satisfaction with the Suffolk bank—Organization of the Bank of Mutual Redemption, 1855—Provisions of the charter—Admitted to the Clearing-house—Friction between the two redemption agencies—Opinions of officers concerning the system—Agreement between the two redemption agencies—The business divided—Bank redemptions fall off—Complaint of the Maine Bank Commissioners—Approval of the system—Comments of Maine Bank Commissioners.	
STATUS WHEN SUPERSEDED BY NATIONAL BANK SYSTEM	288
Well-organized bank currency in New England—Based upon the banking principle—Conditions of the bank circulation—A single-currency system, through the agency of commercial enterprise—Significance of New England bank Currency—Two features of system—An ideal system—Loss to note holders small—Comment of Massachusetts Report, 1865.	

	PAGE
NEW YORK BANK CURRENCY	285-308
History of banking considered under three heads: (1) Prior to 1829, (2) Safety-Fund, (3) Free banking—Banking regarded as a monopoly—Subject to political interference—Politics divorced from banking.	
BANK CURRENCY PRIOR TO 1829	286
Prior to the War of 1812	286
Earliest banks—The Manhattan Company—Peeculiar conditions of charter—Expiration of the United States Bank charter—Increased number of banks—Bank of North America—Banks—Colleges of the State authorized to subscribe for the stock—Debts limited—Table of banks, where incorporated and amount of capital—Fifteen of the nineteen in existence 1865—Circulation of each bank unlimited and practically unguarded—Restraining Act of 1804.	
Period 1812-1829	287
Suspension of Specie Payments 1814—Effect of second U. S. bank on resumption—Mr. Gallatin's estimate of increased State bank circulation—Small basis for estimates of circulation in New York—Banks chartered 1812-19—Bank of Niagara required to pay specie—Charters subsequently granted contained such requirement—Gov. Clinton's message—Restraining Act 1804—Its object—Issue of notes by individuals and business houses—The evils of it—Restraining Act of 1818—Restricted note issuing—Repealed in 1837—Banking in this period attended by eight bank failures.	
"SAFETY FUND" BANK NOTES	288
No bank charters 1826, '27, '28—Expiration of bank charters, 1829-1833—Attempt to secure renewal—Gov. Van Buren's message, 1829—Time for reform in banking—Gov. Van Buren presents a plan—Suggested by Hong merchants in Canton.	
Legislation	288
Recommendations favorably received by legislature—Safety Fund Act based on them.	
1829.—Leading features of the Act—Payment of one-half per cent. annually until 3 per cent. of stock—The Bank Fund to be invested by the State—To pay all debts of failed banks—Method of procedure—Deficiencies in the fund to be made up by assessments—Appointments of bank commissioners—Circulation of banks limited to twice capital.....	289
1837.—Act of 1837 authorized immediate payment of notes of any insolvent bank—Final assets of insolvent banks to be used to reimburse the bank fund—If not sufficient, then to be made up by assessment—Suspension of specie payments authorized—Circulation restricted.....	289
1840.—Redemption of notes in Albany or New York—Discount not to exceed $\frac{1}{2}$ per cent.....	289
1841.—Proposals of bank commissioners—(1.) Redemption of notes to be considered an absolute reduction of fund—To be reimbursed by renewed subscriptions—(2.) Assets of insolvent bank to be sold at auction—First adopted by legislature—System shaken by failures of 1841-42.....	289
1842.—The failure of nine banks caused Fund to be applied to redemption of notes only—Assessments not sufficient to meet amount charged against the Fund—Redemption of notes of insolvent banks in order of injunctions—Advance contributions to Fund made in the notes of an insolvent bank at par—This an advantage to banks, but not to individuals.....	289
1843.—Registered and countersigned notes substituted for unrecorded issues—Office of Bank Commissioner abolished.....	290
1845.—Comptroller authorized to issue stock on behalf of the State to redeem notes of insolvent Safety Fund banks.....	290
1846.—Constitution of 1846—Notes a first charge upon assets of banks—Stockholders held individually liable.....	290
1848.—By this Act banks having capital over \$200,000 to issue notes to amount of paid up capital—Increase to be secured by pledge of stocks.....	290
1866.—Superintendent of Banking directed to pay circulation of failed banks from safety fund still remaining.....	290
Experience	290
Establishment of new banks under the Act of 1829—Attitude of New York City Banks—No extension of charters except under Safety Fund Act—Chartering of new banks—Total banks under Safety Fund.	
First Resort to the Safety Fund	291
First use of the Safety Fund 1837—Injunction against three Buffalo banks—Their notes received in payment for canal tolls and all other debts to the State—Amount of notes redeemed—Safety Fund reimbursed—Two bank charters repealed by the legislature—Notes of these banks received by the State in payment for debts—History of the Lockport and Sackett's Harbor banks—These banks settle indebtedness due to Safety Fund—Safety Fund practically intact 1840.	
Disastrous Failures	292
List of failures from 1840-1842—Redemption of notes of the first three bank failures—Interpretation of the Comptroller concerning the Safety Fund—The condition of the Safety Fund, 1841—Interpretation of the bank commissioners—A call for contributions from banks, 1842—Impossible to utilize any portion of the Bank Fund for redeeming notes of successive bank failures—Act of 1842, the right of banks to anticipate their annual contributions for four, five and six years—Taken advantage of—Contributions advanced draw 7 per cent. interest—Safety Fund increased by half a million dollars—Exchange of 7 per cent. bank fund stock for notes of insolvent banks—Comptroller enjoined, 1843—Intention to protect the interests of the depositors of banks first failing—Bank fund, 1844—Act of April 28, 1845, authorizing Comptroller to issue stock for the payment of demands against the fund—Attempt to settle all charges—Total redemptions to September 30, 1850.	
Payment of Other Creditors than Note Holders	294
Act of 1845 recognized liability of the Fund, not only as toward holders of notes, but also to general creditors—State stock to be issued to pay off depositors—Estimates of receivers, December, 1845—The method of settlement followed by the Comptroller, pay all debts of less than \$1,000 in cash; issue stock for the remainder—The first application of Safety Fund to debts other than circulation—Number of bank accounts settled, 1845—Amounts paid out in settlement of debts other than circulation—Only two banks able to settle debts without calling upon the Bank Fund for assistance—Contributions of solvent banks exceeds current demands, 1850—Demands upon the Safety Fund—Report of the Receivers as to the amount of assets sold and on hand—The difficulty of disposing of assets—Assets turned into Safety Fund by agents—Amount thus realized—Application of Comptroller for authority to sell assets—Summary of transactions between insolvent banks and the Safety Fund—Safety Fund after these payments afforded little security to note-holders—Future contributions practically mortgaged to pay Bank Fund stock—Failures of the remaining period few—Canal Bank of Albany, 1848—Lewis County Bank, 1854—Crisis of 1857—Effect upon Safety Fund banks—Failure of Bank of Orleans, Reciprocity Bank—Yates County Bank—Report of the Superintendent of Banks, 1867—Total contributions to Safety Fund,	

\$9,104,999.51—Total payments, \$2,600,000—The remainder paid out as interest for advances to the fund in 1845-6.

Defects and Remedies..... 296

Political Charters.—In 1838 special banking charters give way to general banking law—Banking theretofore regarded as a monopoly—Considered as political spoils—Legislative struggles over the granting of bank charters—Distribution of bank stock intrusted to Bank Commissioners—A great deal of dissatisfaction—The means and methods employed led to unsound and deceptive management—Speculation in bank stock—Real strength of the system in old banks—None of the older banks failed—Of the sixty-four new banks, sixteen afterward failed.

Speculative Banking.—Period of excessive speculation after expiration of charter of United States Bank—Speculative mania injures bank business—One-half of the banks chartered in the speculative years 1834-1836, afterward failed—Failures traceable to mismanagement.

Over-Issues.—Safety of the system demanded more perfect security against fraudulent over-issues—Circulation of safety-fund banks more closely limited in 1837—Redemption of the notes of the City Bank of Buffalo—Commercial Bank of Buffalo—The over-issues of Bank of Buffalo—Cause of injunction in 1841—Issues of this bank \$235,540 in excess—Over-issues of these two banks cost the Safety Fund \$252,647—Discrepancy between reports of the banks and actual circulation.

Application of the Safety Fund.—An illogical use of the Safety Fund—Its application—Mistaken basis for assessment—Conditions of assessment—Strong banks unduly burdened to guarantee the notes of the weak ones—Should have been based upon circulation instead of capital—Grounds of complaint by the larger New York Banks.

Results..... 298

Hypothetical results of the Safety Fund had it been perfected earlier—In actual practice Safety Fund depleted by drafts not consistent with proper legislature—(1) Other debts than circulation paid—(2) Amount of illegal issues redeemed—(3) Safety Fund depleted by interest—The probable results of the Safety Fund with proper legislation—First lien of notes authorized by the Constitution, 1846—Assessments being paid on the constantly diminishing capital—If the Safety Fund, as perfected by 1846, had remained untouched, every dollar of circulation would have been kept good, 1829-1865.

Why the Safety Fund was Superseded..... 299

Special charters had given rise to abuse—The system abandoned in 1838—Superseded by general banking law—No special charters granted after this law—Safety Fund system, 1838-1866 existed with banks incorporated under the general law—Abandonment of the system took place before any real failure.

BOND DEPOSIT SYSTEM—"FREE BANKING"..... 299

Political situation in New York prior to 1838—Result, free banking after 1838—Safety Fund system discarded because advocated by political opponents—Object of free banking to do away with monopoly.

Legislation..... 300

1838.—Free Banking Act—The conditions of the Act—Note issues to be secured by deposits of bonds and mortgages—Each association to determine amount of capital—\$100,000 paid up required—No special amount of securities required to be deposited—Comptroller authorized to apply deposited trust funds to the redemption of notes of insolvent banks—State not liable beyond proper application of the securities pledged..... 300

1840.—New York and Albany made redemption centers—The wave of repudiation of State indebtedness—Uncertainty of stocks of other States held as securities—This leads to the Act of May 14, 1840—All other stocks except those of New York excluded from deposit—Stocks of other States already deposited not required to be replaced by New York State stocks—Necessary to deposit securities to the amount of \$100,000 before commencing business—12½ per cent. specie reserve requirement repealed..... 300

1841.—Act of March 15, 1841—Payment *pro rata* of all circulating notes—Annual reports—Retirement of circulation facilitated..... 300

1843.—Office of Bank Commissioner abolished—Quarterly reports to the Comptroller required..... 300

1844.—No individual banker to receive circulating notes until he has deposited \$50,000 securities—Reports to Comptroller defined..... 301

1846.—State Constitution required ample security for redemption of circulating notes in specie—Shareholders of note issuing banks responsible to the amount of shares—Bill holders entitled to preference in case of insolvency..... 301

1847.—Method of calling for quarterly reports changed..... 301

1848.—All banking associations or individual bankers required to be banks of discount, deposit as well as of circulation—Method of report—New York stocks to be made equal to 6 per cent. stock—Basis of mortgages raised to 7 per cent.—Other conditions of receiving mortgage securities..... 301

1849.—Double liability of stockholders—United States 6 per cent. stock admitted for deposit on equal terms with New York stocks—One-half of the stocks deposited must be of New York State..... 301

1850.—Method of final distribution of Funds more definitely described—Six years after sale of securities, balance of Fund to be put to credit of outstanding certificates if the notes previously redeemed have not been redeemed at par..... 301

1851.—Organization of bank department—Superintendent of Banks authorized—Reports to be made to him—City of Troy added to redemption cities..... 301

1863.—Bonds and mortgages discarded as basis for circulation—Securities to be deposited limited to stocks of New York and United States—Two-thirds of stocks might be United States stock..... 301

Experience..... 301

Amount of capital and stock subscribed under the new law—Amount of circulation—Increase—Evidence of trouble—Effort of Comptroller to make securities meet circulation—Failure of banks—Different kinds of bills in circulation—Report of Comptroller Fillmore—Average price of bonds and mortgages held as securities—Recommends the withdrawal of all securities except New York stocks—Comptroller's report 1844—Application for individual banks—Origin of individual banks—The discount allowed by law—An inducement for their establishment—Banks for circulation only—Report of Senate Committee 1845—Legislation 1848 requires that all banking shall be for discount and deposit, as well as circulation—Tabular statement of data as to failed banks under Free Banking System.

Defects and Remedies..... 303

Safety Fund experience made it possible to avoid mistakes—Peculiar defects—Acceptance of public stocks created a market in New York—Result of sales of securities to 1849—On forced sale securities depreciate—Inducements to exploited credit—Law encouraged petty banking—Crises forced upon the market a large amount of securities—Rigidity of circulation—Legitimate demands for

	PAGE
larger circulation obstructed by advance in price of securities—Lack of mutual support—Note holders suffered losses because of it.	
Remedies	304
Defects corrected by subsequent legislation—Act of 1848 fixes as the basis 6 per cent. stock at par—Mortgages discarded as security, 1863—Terms earlier made so strict as to discourage deposit of mortgages—Other defects corrected in legislation of 1840-41—No reform as to rigidity of circulation and mutual support of banks—Margin of availability.	
Results	305
Legislation to remedy defects prompt—Most of the disasters in first 12 years of system's existence—Actual loss to note holders previous to 1850, \$27,200 per year—1851-65, \$4,800 per annum—System worked well—Comparison of Safety Fund and Free Banking systems.	
SAFETY FUND vs. BOND DEPOSIT SYSTEM	305
(A) AS TO SECURITY.	
Little preference in matter of security between the two systems—Safety Fund avoided unsupported responsibility of individual petty institutions.	
(B) AS TO COST.	
Comparison of cost and trouble of circulation under the two systems—The Safety Fund system a kind of insurance assessment—The average loss by investment required under the bond deposit plan—The Safety Fund system the more economical.	
(C) AS TO ELASTICITY.	
Borrower mainly interested in rates at which he can secure advances when he most needs them—Elasticity the essential feature of the Safety Fund System—Comparison by chart of two systems, percentage of circulation to capital.	
STATUS WHEN SUPPRESSED BY FEDERAL LEGISLATION	306
New York State Bank currency closed by Act of 1863—Effect of State bank tax, 1865—No loss to note holders, 1791-1815—1815-1829, loss cannot have exceeded 1½ per cent. of circulation—History of Safety Fund—Panic 1837—Losses to note holders, 1829-1866—Improvements in the Free Banking system, 1861—A model for Secretary Chase's plan—Changes in the system—Counterfeiting under the system—Neither system perfect—The Free Banking system tends to correct its faults—Position of New York currency—In circulation alongside National Bank notes—State bank tax closed the chapter.	

CANADIAN BANK-NOTE CURRENCY.

CONDITIONS PRIOR TO 1867	310
Free Banking	310
System of 1851 based on N. Y. law—Banks incorporated under act required to deposit government bonds to amount of \$100,000—Notes to par value issued—Only five banks ever established under this act—Incapable of competition with other chartered Canadian banks—Cease to exist by 187—Effort to reduce circulation of chartered banks and extend use of government bonds as a basis.	
Tax on Circulation	310
Annual tax of 1 per cent. made to apply to excess of notes over bullion and government bonds held by banks—This to encourage larger holdings of government bonds.	
Provincial Notes	310
Provincial notes issued 1866—To supplant bank issues—Province to pay bank surrendering notes 5 per cent. on amount surrendered until charter expired—Government bonds to be exchanged for Provincial notes—Bank of Montreal alone accepts—Agitation for more privileges.	
SITUATION, 1867	311
Confederation, 1867—40 bank charters in force—Had right to issue circulating notes unsecured by special deposit—Limited by aggregate capital plus amount of specie and government bonds held—Diversity of charters.	
ACT OF 1871	311
Attempts at banking legislation—General Banking act, 1871—Limited to ten years—Capital of \$500,000 required—\$100,000 must be paid up—Note circulation, not to exceed unimpaired paid-up capital—Denominations not to be less than \$1—Bank to receive notes at par in payment to any of its branches—Only obliged to redeem notes at place where made payable—Tax not to apply to banks under this act—Charters enforced double liability of stockholders, including all obligations—Monthly reports required.	
ACT OF 1880	311
Act of 1871 revised and re-enacted—Circulating notes of insolvent bank made a first charge upon assets—This an important step—Bank failures, 1871-1881—Effect upon depositors and note-holders—Bank failures, 1881-1891—Notes all redeemed—Depositors better than in previous period.	
BANK ACT OF 1890—THE PRESENT LAW	312
Question of renewing charters—Conference of bankers—The Bank Circulation Redemption Fund suggested.	
The Reserve Question	313
The Government proposes a fixed minimum cash reserve—Opposition of the bankers leads to its abandonment.	
Principal Details of the Act	313
Capital stock—Not less than \$500,000, one-half paid up in cash and temporarily lodged with Minister of Finance—Dividend not to impair paid-up capital—No dividend above 8 per cent. until 30 per cent. reserve fund—Reserves, 40 per cent. to be held in Dominion notes—Shareholder's liability equal to stock subscribed—Note issues—Penalties in 1883—Notes a first charge—No bonds required as special security—Redemption fund of 5 per cent. of circulation deposited with the Finance Department—To draw 3 per cent. interest—In cases of suspension notes draw interest at rate of 6 per cent.—Advances from Redemption Fund to be paid from assets of bank—Other banks to make up the amount to 5 per cent.—Assessments not over 1 per cent. in any one year—Redemption agencies—Monthly reports—No tax on circulation.	
SPECIAL FEATURES	314
Act of 1890 extended 10 years—Merchants' Bank of Prince Edward Island—Number of chartered banks 39—Corresponding to 450 local banks in United States, through the use of branches.....	
Proportion of Circulation to Capital	314
Tables—Charts—Overissue prohibited by fine.	
Emergency Expedients	315
Methods of evading fine for overissue and yet accommodating commerce.	
Procedure in Case of Failed Banks	315
Failure of the Commercial Bank of Manitoba—History of bank—Management not very sound—No uneasiness over the failure—Notes accepted and regarded as a good investment—Redemption	

of the notes—Banks prefer to hold them instead of presenting for redemption—Not necessary to make assessment—Notes as a first charge and the Redemption Fund prevented depreciation—Liabilities being paid.	
BRANCH BANKING	316
An important factor in Canadian system—Not used in the United States—Prerequisites—Large capital—System of banking, how managed—Number of banks, branches and offices.	
Convenience	318
Methods differ from those used in United States—Distribution of loanable capital—Each borrower in communication with idle funds of the Dominion—Uniform rate of interest—Each locality better served—Not subject to withdrawals of city banks in case of crisis—Well-conducted branches insure largest expansion of circulation necessary—Offer facilities in getting notes in circulation—Uses own bank notes as the ordinary till money—Small expense of note issue—Issues are secured by the general assets.	
Security	319
Comparative security—Branch banking involves great discretion—More difficult for Board of Directors to keep in touch with conditions—Greater opportunity for imaginative finance—On the other hand, increased mutual support and insurance—Local panics not possible in Canada.	
ELASTICITY OF CURRENCY PROVIDED	320
Necessary to business advancement—See Windom's remarks—Table of expansion and contraction in Bank Circulation, Canada—Circulation of Canadian and United States banks compared—Chart of the same—The Canadian currency constantly adjusted to Canadian wants—Heats and chills in circulation in United States—Comparison of effects of depression in United States and Canada—In Canada contraction and expansion, in United States expansion when least needed—The Canadian system elastic—No money squeezes.	
REDEMPTION FACILITIES	322
Real elasticity requires both expansion and contraction—Effect of business depression in both countries—Our national bank system inelastic—Daily redemption of notes under Canadian system—Retirement of notes not necessary for business—Object sought, a more national currency—Redemption agencies established by Act of 1890 prevent discounts—Elasticity of system not due to redemption agencies—Results of artificial redemption in this country—Experience of Canada shows that Commerce, if let alone, can and will attend to current redemption.	
GENERAL REVIEW OF CANADIAN CURRENCY	323
Remaining elements—Gold coin, subsidiary silver and Dominion notes—Canada no gold coinage of her own—Coins of England and United States used in lieu—Silver coinage—Its amount—Dominion notes, outgrowth of Provincial notes of 1866—Amount of, fixed in 1868—Increased—July 23, 1894, fixed at \$25,000,000—Security for their redemption—Gold and Dominion securities guaranteed by the Imperial Government—This for 25 per cent. amount issued—75 per cent. covered by ordinary Dominion securities—Aggregate issue Oct. 31, 1894—Canadian bank circulation 45 per cent. entire currency of Canada.	
PRESENT CONDITION OF CANADIAN BANKS	324
September report of banks, 1894.	

SCOTCH BANK CURRENCY.

THE ECONOMY OF BANK-NOTE CURRENCY	326
The proportion of circulating money to the annual product of a country—The effect on industry of the introduction of a paper currency—Result in Scotland—Bank of Scotland 1693—Royal Bank 1727—Amount of silver in Scotland before the Union—Amount of gold a little larger—Circulation of gold and silver before Union probably not less than £1,000,000 sterling, after establishment of banks, £500,000—Operations of a bank—Able to discount more freely when it issues notes.	
SPECIAL FEATURES OF SCOTCH BANKING	327
Commerce of Scotland not great—Banking business not confined to discounting bills of exchange—Granting of "cash credits"—Credit thus extended to individuals on surety—Payments with interest to be made upon demand—Easy terms of repayment.	
Acceptance of Piecemeal Repayment of Loans	327
Sums paid in piecemeal—A proportionate part of interest on great sum discounted—Notes of bank readily accepted by its debtors—Borrowers receive bank's promissory notes—These make the circle, returning to the merchants, who cancel their debts with the bank by this means.	
Saving of Capital Thus Effected	327
Possibilities of greater trade—Not necessary to keep on hand a considerable sum of money to meet occasional demands—London and Edinburgh merchants compared—Scotch merchant shave use of their cash accounts.	
Commercial Limitations on Bank Paper	328
Paper money can circulate up to the amount of gold and silver that would be in use if there was no paper money—When too much paper, excess presented for redemption in coin—Expenses of a bank—Expense of a reserve in loss of interest—Greater when more notes in circulation than will stay out—The coin used to redeem the paper cannot circulate because circulation already redundant—The coin will go a road, hence increased expense of replenishing the supply of coin.	
Natural Consequences of Inflation	328
Overissues of notes return for redemption—Circulation sometimes overstocked, because of misunderstanding on the part of banks—Result of inflation by the Bank of England and Scotch banks—The coin paid out for redemption of amount of notes above amount needed went abroad—Overtrading the original cause of the excessive circulation of paper money—Advance of banks to merchants of funds to meet occasional demands.	
Discounts only to Supply Fluctuating Demand for Currency	330
The workings of real bills of exchange—The Scotch system of discounts allows full employment of capital—Piecemeal repayment does away with the necessity of keeping any part of capital unemployed—Caution for the banks, must not let advances surpass repayments—Necessary to require frequent and regular payments from each customer.	
Advantages of This	330
Able to judge of financial circumstances of debtors—Secured themselves against issuing more paper money than necessary—Regular payments on the part of customers demonstrates that advances had not exceeded amount necessary to keep on hand—If advances greater, payments could not have been equal to advances—In this case the bank's advances might inflate its circulation if not regularly redeemed.	
Banks vs. Private Bankers	331
Limit of banking—Bank cannot advance capital for carrying on business—Returns of capital too slow—The Private Banker as distinct from Banks.	

	PAGE
EVASION OF CONSERVATIVE RULES	332
Circulation of Scotch banks has sometimes exceeded what the country could absorb and employ—Overtrading—Complaint against the banks—Practice of drawing and redrawing—Long known in England and from thence brought into Scotland.	
Drawing and Redrawing	332
The workings of a bill of exchange—Protest and indorsements—Liability of indorsers—Example of bill of exchange, drawn and redrawn—A costly experiment—"Raising money by circulation"—Great expense of the method.	
Inflation and Consequences	334
Amount of circulating bills of exchange—Over and above the amount the country would absorb and use—In consequence returned to the banks for redemption—Capital withdrawn from the banks without their knowledge—Drawing and redrawing easily discovered when discounted at the same bank—Difficulty of discovery when there are many agents—Difficult to distinguish between a real and fictitious bill of exchange—Danger of the banker—Retrenchment by the banks—Demand for liberal bank by the projectors.	
EFFECT OF MORE "LIBERAL" PRACTICES	334
New bank in Scotland—More liberal than the others—Avowed principle to advance capital upon reasonable security—Inflation of its circulation—History of this liberal bank—Operations of the bank produced effects opposite to those expected—Aggravated the distress—Attempt to raise money on the securities held by the bank—Loss by drawing on London—Expense of keeping up reserve of coin—Inability of a bank to know its debtors—Transfer of capital from prudent and profitable to imprudent and unprofitable undertakings.	
MR. LAW'S IDEA	336
Mr. Law's visionary ideas—Issue of money on land values—Plan adopted in France—The Mississippi Scheme, plan explained by Du Verney.	

THE CURRENCY FAMINE OF 1893.

CIRCUMSTANCES THAT PRECEDED THE CRISIS	338
General Conditions,	
Circumstances that preceded currency famine of 1893 too recent to be free from controversy—Condition of Country ten years previous to 1893—Prosperity prompted new enterprises and extended credit—Change about 1890—Caution takes place of freedom—Suggestion of coming situation in foreclosure of twenty-one railroads, 1890—Collapse of Barings.	
The Sherman Act	338
Agitation of cheap money advocates—Legislation of 1878 and 1890—Effect of Sherman Act on the situation—Europe returns securities—America thus forced upon her own resources—Gold driven out by Sherman notes—Mortgage holders insist on renewing contracts in gold—Hesitation to make time loans	
Hoarding of Gold in the United States	338
Disposition to hoard Gold—Gold losses of the Treasury—Statement of gold in Treasury, 1890, 1891—Customs receipts in gold fall off—Dilution of Currency by silver inflation.	
Treasury Expedients	339
Treasury refuses to furnish gold bars at par—Attempt to gain gold by selling Eastern exchange at reduced rates—Effect of Tariff Legislation and Congressional appropriations—Surplus becomes a deficit—Sole resource to maintain our currency on a natural basis was gold—The approach of trouble—Impairment of gold reserve cause for trouble.	
THE CURRENCY FAMINE	339
Liquidation—Contraction of loans—Weak institutions injured by contraction—Bradstreet's report of failures, 1892-93—Failure of national banks—Shrinkage of business credit—Currency preferred to credit—Scramble for currency—Disappearance of gold—Decrease in National Bank deposits—A unique experience—Demand for more currency.	
Failure of National Bank Currency System	340
Only one resource, additional issue of national bank notes—No elasticity in the system—Original idea to force purchase of United States bonds—Decrease in percentage of national bank notes to total circulation—Stringency expected—No connection with business demands for currency—Initiation of furnishing currency in the hands of Comptroller—Banks powerless to break the law and increase circulation at will—Increase in National Bank circulation 1893 only 1½ per cent. of our currency—Inability of the system to meet demands made upon it—Business expedients in lieu of it.	
Emergency Currency	341
No gradually developed plans for mutual assistance—Help tendered in response to appeals—Short duration of currency famine—Due to Expedients—No relief from laws—Reliance of people upon themselves—Forms of relief in violation of laws—Methods and kinds of currency.	
Clearing House Certificates —Object to extend indefinitely the mutual credit of the members of the association—Large denominations—Not used as currency—Released a sum equal to amount involved in Clearing House transactions—Escape from unparalleled disaster due to banks using Clearing House certificates—Use confined mainly to Northwest—Limited to settlement of mutual accounts between members of the association—Clearing House due bills.....	
"Clearing House Certificates" —Explanation of the certificate—Made good by associated banks of a community—Cases in the Southwest—In currency denominations.....	341
Certified Checks —Sale of certified checks by banks against themselves—Used by purchaser as currency.....	342
Pay Checks —Use very general—Used in the Northeast, the West and Southwest in payment of wages.....	342
Miscellaneous Expedients —Negotiable certificates of deposit—Ninety-day and other short-time paper—Miscellaneous scrip of small denominations accepted as a general currency.....	343
The Course of National Bank Currency	343
National Bank circulation and surplus bank reserves—When greatest demand, National Bank circulation was a smaller part of total currency than at any other time before—Effort of national banks thus futile—Contraction after demand ceased so slow as to gorge the banks with surplus reserves.	
Results	344
Necessity for currency developed a supply—Emergency met partially by violations of law—New York banks issued most Clearing House certificates—Where associated banks issued currency demand supplied—In other places individuals and corporations compelled to supply the lack of currency—Government machinery refused to work—A perfectly natural bank-note currency—Each community supplied its own wants.	

HOW RELIEF CAME	PAGE 341
Effect of the repeal of the Sherman Act—Hoardings return to circulation—Crisis brought about by the wanton interference of the Government.	
FAC-SIMILES OF EMERGENCY CURRENCY	345-356

THE PEOPLE'S MONEY.

INDUSTRY, COMMERCE, FINANCE AND THE PEOPLE	358
An industrial age—Activity in the United States—Division of labor makes employment for thousands—Exchange of products accomplished by money and credit—Money from a commercial point of view—Definition of commerce and finance—Value the only quality common to all the objects dealt in by commerce and finance respectively—Price the connecting link between commerce and finance—Two forces in ceaseless operation, demand and supply—Commercial and financial demands—Money becomes of great consequence because a gauge of prices—We work for the dollar's worth and not the dollar itself—The right of every individual worker to be paid in an honest money—Congress alone has the right to regulate the value of money in this country—The victims of a depressed currency—Reason and history prove a money liable to depreciate, bad money for the people at large.	
CASH AND CREDIT	359
Definitions of cash and credit—Tendency to make settlements in credit paper—The poorer classes handle more actual money than the richer classes—Banking—Cash and credit transactions in banking—Greater number of creditors than debtors—Wealth of creditors in a community generally less than that of all the debtors—Example of tradesman and wage earners—Depositors in banks are creditors—Wealth the basis of credit—An error as to which are debtor and which are creditor classes—Conclusions in regard to cash and credit—The farmers a great creditor class—Money laws of vital interest to them.	
MONEY	360
What is money, a puzzling question—Simplified by inverting the question—What is the function or office of money—A medium of exchange—A measure of value—Values sometimes estimated and expressed in money terms when no money is present—This misunderstood—Money performs its functions of measuring values chiefly through the medium of computation—Power of money due to confidence of people among whom it circulates—The power of Government to prescribe a currency is absolutely limited by the acquiescence of the people—Where not prescribed by law, the force of money depends upon conventional recognition—Another function of money, that of a legal tender in payment for debt—Debt—Taxation—Debt defined and enforced by law—Taxes levied and required to be paid by law—Necessary to define the medium of payment by law—A legal tender currency exists by force of law—Definition of money—Money commands services as well as things—Industrial need of money augmented by the pressure of taxation and the increase of interest—Necessary to have things in order to get money, and <i>vice versa</i> .	
NATURAL BASIS OF MONEY	362
Money has become more definite in form and each form more precise and constant in value—Diversity of money substances—Money the outcome of the idea that a medium of exchange was needed—Money at first a " <i>makeweight</i> " in bartering and trading—From part representative became a representative of the whole—Increase of commerce afforded opportunities for the use of money.	
INDUSTRIAL BASIS OF MONEY	362
Without money trade could not have expanded—Money as a medium of exchange and a measure of value—Definition of value—The evolution of price—Prices always expressed in money—Trade depends largely upon measuring values in order to compare them—Definition of measure.	
LAW AS A BASIS OF MONEY	363
Money evolved by the needs and general consensus of a people—Afterward modified by laws—Duty of modern government to select material, prescribe form and fix value of money—Money which suffices for barbarous nations would not do for civilized ones—Necessary that taxes and debts be paid in some prescribed medium—Government's more convenient than that issued by individuals—Money, in order to command confidence, must be vouched for by an authority known and respected—The framers of the Constitution vested the power in Congress—No State shall coin money, etc.—People should know what limitations are imposed upon the exercise of the power by Congress—If power exercised is contrary to natural laws, disaster is the result—Limitation of the Government function in regard to money—Money affected by public sentiment.	
CONFIDENCE AS A BASIS OF MONEY	364
Public confidence can make anything pass as money—Law cannot make money circulate unless the money itself enjoys the confidence of the people—This confidence dependent upon the manner in which the Government regulates its prerogative—Public confidence may be prolonged by the force of the Government credit—Public trust includes three distinct beliefs—Convertibility into other forms of money—Kinds of money issued in the United States during last 12 years—Sketch of Government policy during that time—Confidence of the people in the Government—Resumption Act of January 14, 1875, did not raise greenbacks to par—Obligations of the Government but little understood by the people—All contracts can be broken by the people through representatives in Congress—Resumption of specie payments, 1879—Natural laws of money compel every commercial people to sustain the national credit—Repudiation a costly experiment—Effect of discrediting the Government of the United States—Effect upon currency—Total amount of silver and paper held up to a parity with gold by the credit of the Government, and National bank notes and greenbacks dependent upon credit—Silver dollars and certificates derive $\frac{1}{2}$ their value from credit—Effect of impairment of credit—Alternative standards—Differ in value—Dare the Government encounter the consequences of a silver standard—The result of such a policy.	
DEFINITENESS AND STABILITY OF VALUE THE ESSENTIAL QUALITIES OF MONEY	366
Quality money must possess in order to meet demands made upon it—Definiteness and stability of value—Necessity of a unit of value—A common unit necessary for the carrying on of trade—Contracts for future payment would not be entered into if money not stable—Existence of credit depended upon the certainty of the monetary unit—Stability of purchasing power—Money may vary in value—Variations expressed by price, how caused—Good money—How is stability of value obtained—Practical test of stability of money is general stability in prices.	
THE MONETARY UNIT	367
Two kinds of money cannot circulate side by side when differing in purchasing power—A difference leads to hoarding the more valuable metal—As a result prices rise—Gresham's law—Its effects—Bankers generally the first to notice the tendency in a money to depreciate—Justi-	

	PAGE
<p>fication of bimetallism—Necessary under bimetallism to have harmony of value—This only accomplished by the establishment of a monetary unit—Denominational and monetary units—Monetary and denominational units in the monetary history of the United States—Establishment of the dollar of account, 1792—Depreciated money in Civil War—Resumption of specie payments—Our four kinds of money held at par only by making each representative of gold—The Government by no means free to select either of the two coinages as a standard—Gresham's law—The monetary unit once established becomes the standard for measuring all values expressed in money—The progress toward simplification and method in money—The duty of the Government to provide a monetary unit and to provide against its being changed except by constitutional amendment—The value rule should bear a definite, known and unchangeable relation to the value rules in use among the people with whom the nation trades—Identity of metal alone assures identity of intrinsic value in equal weights.</p>	
LEGAL TENDER	370
<p>Definition of the term—Object of a legal-tender act—Legal-tender money must be preserved at constant value—If not, the object of the law is defeated—Legal-tender laws control the execution of contracts—Fixed value in the medium of payment underlies all taxation—Not the dollar but the dollar's worth is the power of industry—Governments bound to preserve the value of legal-tender money—Value the essence of the matter—Equality of value alone will content the avidity of justice for what is right.</p>	
THE MATERIAL AND FORM OF MONEY	370
<p>What principle should govern the coinage of metals and the creation of paper currency—Difference between two kinds of money—Coin, intrinsic value—Paper money's force depends upon law—Beyond the limit of confidence paper money has no power of circulation—The value of coins not dependent upon what is stamped upon them—Paper money is created by statute—Life of paper currency depends upon the continuous sustaining power of the law—The evils of a depreciated currency—How a government can secure itself against a depreciated currency—No reason why the United States should not provide a system of banks of issue—The relation of the value of labor to the material of money—Early times services required by protection—Money now indispensable to the daily lives of people—The material of money kept pace with the rise in price of labor—The world in this way outgrows the inferior metals—Silver and gold the best money metals—The world not bound to either if a more convenient medium is found—History of paper money—The philosophy of paper money—The necessity of a metal base—Paper money should be good at all times—This possible only when legislators understand the difference between good and bad money.</p>	
PAPER MONEY	372
<p>Necessary that money merit and obtain universal confidence—Insistence of many economists—Objections to an exclusively metallic circulation—Inert capital and interest—To secure profit from money one must part with it—The policy of business men—The burden of idle money—How can the burden be lightened—The burden of paper money offset by the profit upon its issue—Examples of bank of issue—Saving to the community by the use of paper money—Savings on Government and bank issues of paper money—Early use of bank notes—Their circulation rests upon the credit enjoyed by the issuer—Paper money of two kinds, bank and Government issues—Convertible and inconvertible paper money—Three conditions necessary to the conversion of paper money—Inconvertible money may exist at par with metallic money—Conditions of existence—Inconvertible and convertible money depreciate when public confidence is shaken.</p>	
TREASURY NOTE, OR DUE-BILL CIRCULATION	373
<p>Confusion of legal-tender terms—The right of taxation—The principles of circulation of an irredeemable due-bill currency—Taxation to keep pace with expenditure, stability of the Government—The due bill system a method of borrowing by the Government from the people—Represents the extreme of arbitrary exaction by the Government—Binds a people to a scale of taxation commensurate with the volume of the paper issues—A due bill may or may not be made a legal tender for debt—Case of greenbacks in the United States, 1862.</p>	
BANK-NOTE CIRCULATION	374
<p>Bills of exchange—Checks on banks of deposit recent development of bills of exchange—Certified checks—Different from bank notes, but would serve all the purposes of bank notes—The economy of paper over metallic money—Increase of bank-note issues tends to reduce rate of interest—No gain to the people from the greenback currency—Rate of interest during period of note issues by State banks—History of the bank of Stockholm a striking proof of reduction in rate of interest by bank issues of currency—Gain to the people of Sweden—People would have been injured if bank of issues prohibited as in United States since 1862—National bank notes a Government currency—Profits of national banks not equal to those of bank issues—Risks taken during war commensurate with any profits made at the time—National Bank currency merely cheapened loans—Under present system notes derive their existence and value from deposited bonds—Banks whose names appear on national bank notes gain nothing by their prolonged circulation—Bank notes proper have no vitality until issued, cease to have a money force when returned to the bank of issue—True banks of issue have an interest in putting out as large a circulation as possible—Tends to cheapen loans—Greater incentive to bank of issue to lend—Elasticity of circulation of banks of issue—Obligations of a bank of issue—Use of money by agricultural communities—Banks of issue in agricultural communities—Expense of the present system—The benefits of well-managed banks of issue—Necessity of some metallic currency—Identity of value between bank-note dollar and monetary unit—System in Scotland—Evidences of prosperity seen in our history brought about by banks of issue—Legitimate investment of a bank's funds—Violation by national banks—Capital invested in bonds—Reduction of available circulation of banks by the national system—Practical inconvertibility of national bank notes—Liability of depreciation of Government and bank currencies—Government notes issued to creditors—Bank notes issued to debtors—Government subject to political influences.</p>	
THE BALANCE OF TRADE	378
<p>Balances in banking—The Clearing House—Money only needed to settle final balances, pay wages and to carry on retail trade—Rates of exchange—Money comes in at the end to settle the balances—Precious metals in international trade pass by weight only—What good money is—Bankable funds—No commercial community free to set up a local money of its own.</p>	
THE VOLUME OF MONEY	379
<p>The per-capita requirement—Table bank credit per-capita circulation—No uniform proportion of currency to population exists—Shows that Government should refrain from any attempt to increase or diminish the supply of money by legislative enactment—The volume of currency should increase with increased wealth—All the money of a country never in circulation at one time—Increased effectiveness of money by repetition of employment—Legislation guided by per-capita theory sure to be misguided—The supply of currency in a community depends upon the desire and ability of individuals to obtain the amount wanted—Scarcity of money—A community</p>	

does not retain a larger circulation than it needs—Tendency to establish an equilibrium—No amount of money issued by the Government can arrest periods of scarcity—Periods of stringency less liable to occur where area and population under one monetary system are enlarged—Per-capita theory affords grounds for an increased supply of money—The dearthness or cheapness of money dependent upon the relation between the supply of loanable funds and the demand for the use of such funds—Influence of the state of trade upon loans—Results of unwise and ill-considered augmentations in the volume of currency—The quantity of money in circulation should be determined by the demand for it—Rapidity and smoothness of circulation needed.

VALUE 383

Definition of value—Utility defined—Value rises with the resistance of appropriation—Desires measured by money or human exertion—Value as an attribute only—Value rises according to demand and supply—Value in exchange—Money as value in action—Commerce deals in commodities; finance deals in values—Commerce a complicated system of barter—Relation of finance and commerce—The principles of barter must apply to all commercial and financial operations.

THE STANDARD OF VALUE 384

Questions as to what is the standard of value—The need of a standard of value—The necessity for a world-wide standard of value—Money standards of value must correspond with the standard fixed by law—Nations trading together must have a standard of value common to all—Requirements of commerce—London the center of finance—Necessary to conform to the standard of value in use there—What is the true scientific standard of value—Human labor not, because not a constant force—The foundation of Adam Smith's work—Division of labor—A standard of value must be capable of subdivision without loss of value—Gold and silver best fitted to be standards of value—Why does London insist on gold?

THE GOLD STANDARD 386

Gold standard brought into use by influence of commercial forces—A natural outcome of present conditions—Progress of money material from less valuable to more valuable substances—Principles of the gold standard—The value of human labor not reduced—Transition from silver to gold standard—Industry now co-extensive with civilization—Commerce universal—Large balances to be paid—Gold fills the conditions better—Natural law alone has made gold the prime standard of value—Advance of commerce—Silver standard in different countries—Commerce brought all nations into one monetary community—Standard in England, United States and Germany—Gain under the gold standard in the United States—Gold mono-metallism the unavoidable destiny of this country—Bimetallism a snare and a delusion.

A FINANCIAL CATECHISM.

MONEY AND ITS MATERIALS 389

What is money—Main classes of money—Examples—The use of gold and silver as money—Indications of money metals—The idea of gold for the rich—Confusion of quantity with value—Is gold giving out—Production of gold—The movement of gold—Is gold too valuable for money—England's position.

FIAT MONEY AND LEGAL TENDER 391

Paper representatives for money—Fiat money—Why fiat money is not successful—Experience against the use of fiat money—Congress cannot regulate human desires—The workings of fiat money—Legal tender acts—Not necessary for gold money—Example of Russian Government—Introducers of cheap money—Earliest example—A modern instance—Government promises—Confidence as a factor in their circulation—What happened in 1893.

VOLUME OF MONEY AND PRICES 392

The act of 1873—Trade dollars not legal tenders—Increase in the use of silver—Amount coined since 1873—Demonetization of silver in Germany—Business and the volume of currency—"Money of ultimate redemption"—Amount of money in country, 1873, 1894—Money in France, Germany and England—Per-capita circulation of European nations—Money and human happiness—No advantage in a cheap dollar—The ideal dollar—Effect of gold and silver standards—Prices and silver—Manufacturers and silver—Bimetallism.

BIMETALLISM IN HISTORY 395

Free coinage—When is coinage not free—Free coinage means bullion value—Only hope of mine owners to drive gold out—What is bimetallism—Alexander Hamilton's investigation of ratios—Thomas Jefferson's position—The silver dollar not the sole monetary unit, 1792-1873—The monetary unit—Hamilton on the unit—Change in the weight of the gold dollar, 1834—The gold dollar of 1849—Evidence that the standard is not identical with material of the one-dollar piece—The market ratio—Gold driven out prior to 1834—Reports to Congress on the coinage of the two metals—The dollars of the Fathers—Coinage of silver by the U. S.—Difficulty of keeping gold and silver in circulation in India—Bimetallism in France—The Latin Union—Not able to maintain the parity of gold and silver—England and bimetallism—Ernest Seyd and the Bill of 1873—Debate in the House—Remarks of Kelley, Hooper and Stoughton—Gold the standard since 1834—Changes in standards—The quantitative theory of money—John Stuart Mill's position.

BANKS AND DEBTS 399

Credit—Loans and discounts of national banks—Can banks "corner" money—Banks debtors for deposits—Why banks do not favor cheap money—Meaning of cheap and dear money—Credit used to supplement capital—Money of itself yields no return—Bankers and deposits—Panics—Influence of Wall Street—Stock Exchange reflects the state of business—Importance of confidence and security to debtors—Rates on money—The gold standard not raising the rate of interest—Showing of the census tables—Capital and interest—Debtors and obligations—Who are debtors and who creditors—Obligations of commercial and banking institutions—Creditors injured by reducing the dollar—Farmers and mortgages—Bonds and mortgages.

DECLINE OF PRICES 401

Decline of prices since 1873—Effect on mortgage indebtedness—Fall in prices not uniform—Not due to the purchasing power of money—Senate Finance Committee Report—Changes in prices—Percentage of fall—Causes of lower prices—Increase in production—Competition from silver using countries not severe—Why has silver declined—Production has increased rapidly—Cost of producing silver has declined—Increase in manufacturing—Indications of prosperity—Particulars of the growth of the country since 1873—Farm values—The cause of prosperity checked in 1893—The silver legislation—Panic of 1893—Effect of silver legislation on foreign trade—Export of gold—Silver monometallism masquerading under the guise of bimetallism.

NATIONAL POLICY 404

Not to our interest to impair the credit of the country—Options—Trade balances with gold and silver countries—Effect on Europe of the silver policy of the U. S.—International Bi-

metallism—The U. S. the only country where people want to reduce gold money to silver money—Inducement held out by silver men.

COIN'S FINANCIAL FOOL.

INTRODUCTION	406
"Coin" an absurdity—Science of Finance does not come by nature—Necessity of study—Pictorial illustrations—Object of Coin's Financial School—Virtual outcome a single standard of silver.	
COIN'S FIRST FALSEHOOD	406
Statements as to the money of the Roman Empire—Falsity of statement—Reasons—Wages at the Christian era—Difference in money now and 1445—Original penny—Clipping of coin—As to the price of wheat—Attempt of Coin to attribute the low price of wheat to the shortage of money—The reasoning applied to other cases—Section from report of U. S. Monetary Commission, 1876—Misquoted by Coin.	
OUR FIRST SILVER DOLLAR	408
The silver dollar not the monetary unit, 1792-1873—Silver dollar the monetary unit of Congress of the Confederation, 1785—The meaning of the word "unit"—The law of 1792—Coin's deduction and error—Congress adopted two things as money—The meaning of "unit" in the law—Confusion from two uses of the word—Reason for Jefferson's order to stop coining silver dollars.	
ANOTHER FORGERY	409
The Act of 1843—Circulation of silver coins due to their legal tender quality—Shown to be untrue—The full law as passed by Congress—Only two foreign silver coins legal tender, the Spanish dollar and the 5-franc piece—Reason for their being made legal tender—Coin's contention that coins circulate by reason of their legal tender quality—Quotations on coins more than legal tender value—Their bullion value more than a dollar—Scarcity of silver—Jefferson and Jackson's recommendations—The question of ratios—France's alleged reason for establishing a ratio—The real reason for our change in 1834.	
A FEW NUGGETS	410
The clearness of Coin's statements—The poor man's money—Gold the money of the rich—All poor men ought to be in favor of silver—What does a poor man want money for?—Poor entitled to the same standard of value as the rich—Silver as a human being—Logic of silver's treatment—Bimetallism, 1872—Coin's pictures—No "metallism" whatever in 1872.	
THE CRIME OF 1873	412
Silver not demonetized secretly—Mode of passing bills—The law of 1873—Discussion in Congress of the omission of the silver dollar from the bill—Remarks of Messrs. Hooper, Stoughton, Potter and Kelley—The proposed dollar of 384 grains stricken out by the Senate—Introduction of the trade dollar—The U. S. on the gold basis in practice ever since 1834—Dishonesty of the present intention to change the character of the dollar—The question what is a dollar.	
THE DEBATE WITH LYMAN J. GAGE	414
Coin's answer to the problem of varying standards—The mints of the world to be thrown open in order to create an unlimited demand—Statements in regard to coinage of silver—Reference to ratios—"Variation of two points"—A difference of two per cent. sufficient to expel one metal—Giffen's statement—Mints of the world dwindle to those of two nations—Letter from Mr. Gage—Another fib—Bland-Allison act does not discriminate against all other forms of money.	
COIN ENLISTS IN THE CAVALRY	416
Coin's explanation of a unlimited demand—Example of a demand for horses by the Government—Statement of the silver men, 1890—Silver would advance—Price of Silver per ounce, 1890-1893—Repeal of the Purchase Act—Supply of silver increased with Government's increased purchase—Free coinage, however, does not imply purchases by the Government—Bimetallism impossible—The demonetization of silver did not destroy a dollar of redemption money—Would not have redeemed greenbacks in silver when at a premium—Mr. Walsh's denial.	
COIN'S SERIES OF EXPLOSIONS	418
Coin's philosophy of panics—The argument involved—The crisis of 1890—How Professor Laughlin got left—Professor Laughlin's letter—The lectures that never took place—The commercial value of silver at par with gold—Demonetization of silver—Germany first, not the U. S.	
COIN'S LECTURE ON THE GREENBACK SYSTEM	420
Objection to a greenback system—When is a government not able to enforce legal tender qualities—Paper money—Indefiniteness of statements—Paper money and war—Explanation of social conditions during suspension—People not all on the same footing—Professor Sumner's statement, wages lost while earned—A precocious traitor—A prophecy—Free coinage statesmanship.	
JUGGLING WITH PRICES	421
Prices of wheat—The purchasing power of a dollar—Examination of Coin's statements concerning price—Explanation of the increase or decrease of value per bushel.	
THE ENGLISH OCTOPUS	422
No difference to England what kind of money we have—What we owe to England payable in English money—Prejudice against England—War with the octopus—England forcing a gold standard upon us—Binetallic committees—The business of the country—Gold standard in England—Binetallic in the U. S.—A little more treason—The argument that we need more money—Coin's bimetallism—The way to bring gold back if driven out by free coinage—Can legislate the premium out of gold—The meaning of this statement—Coin's and General Walker's positions.	
CONCLUSION	424
Popularity of the book due to its pictures—The Columbus forgery—Coin's defense—Garbling and forgery with intent to deceive.	

THE BULLION REPORT.

[Report from the Select Committee on the high price of Gold Bullion, 1810.]

The object of the Committee—Price of gold bullion, 1806-10—Foreign gold higher than bar gold—Differences in price between bar gold and coin—Prices of silver, 1806-10—Exchange unfavorable to England, 1808—Exchange cities—Gradual improvement in exchanges—Exchange at Paris, Hamburg and Amsterdam—Opinion of the Committee as to cause of high exchange—Expert testimony.

ALLEGED SCARCITY OF GOLD	229
High price of gold ascribed by witnesses to scarcity arising from an unusual demand in Europe—Opinion of the Committee that demand for gold is not the cause of its disappearance.	

	PAGE
Price of Gold in Continental Markets	429
Influence of demand on price of gold—Inference of Committee—Price of gold in Europe and price in England in paper currency—Expert testimony—No alteration of late in mint price of gold in foreign places—Foreign gold less price of exchange—Testimony of Mr. Abraham Goldsmid—At Hamburg and Amsterdam, gold not risen in price as measured in silver—Permanent rise of gold above its mint price—Reasons for it.	
Price of Gold in England	430
Supply of gold on the continent increased by England's substitution of another kind of currency—No want of bullion in England during Seven Years' War and the American War—Lloyd's Lists and Wettenhall's Course of Exchange—Steady price of gold, 1773-1799—Two periods when gold exceeded the mint price—Doubt as to the scarcity of gold in England—Disappearance of guineas does not prove a scarcity of bullion—Plenty of gold can be had at the market price—Exports and imports of gold—England the Clearing House of the world—Rise in the market price of silver not ascribed to scarcity—High price of gold not due to scarcity—The position of gold in England—The price of gold, under normal conditions being measured and expressed in gold, cannot be raised or lowered by an increased or diminished demand for it—The real price of gold—The cause to be found in the state of the currency.	
Price of Bullion Compared with Coin	431
Principles which govern the relative prices of gold in bullion and gold in coin—Object of the King's mint—Expense of coining gold bullion into coin—The limit of the possible rise of coin above bullion—Depression of coin below the price of bullion—Diminution of coin by use—Precautions against diminishing weight—Difficulty of converting coin into bullion—Causes for the depression of the value of gold coin in exchange for commodities—Results of attempting to confine coin to the country.	
Hamburg Currency Methods	432
Fixed standard of value for great commercial payments at Hamburg—Silver the standard—Method of making payments—No restrictions on bullion or coin movements—Variations in standards only to the amount of change in price of bullion.	
Conditions in England since suspension of specie payments	433
Normal limit to depression in gold bullion—New cause of variation since specie suspension of 1799—Question as to measure of value—Desirable to bring circulating medium to gold standard—Effect of worn coin on gold bullion—Mint price—How prices increase—Effect of an excessive quantity of circulating medium.	
STATE OF FOREIGN EXCHANGES	433
Opinions of practical men in regard to the present state of foreign exchange—Mr. Greffulhe's opinion—The cause of the present exchange entirely commercial—Sir Francis Baring's—Restriction upon trade with the Continent—Present state due to paper money not convertible into specie—Difficulty of communication between Continent and England—Restrictions upon commerce—Original cause in consequence of the measures of enemy—Non-recovery due to suspension of specie payments by Bank of England—Other causes—Bullion the true regulator both of the value of a local currency and the rate of foreign exchanges.	
Par of Exchange	435
Opinions received vague and unsatisfactory—Par of exchange—Constant fluctuation in exchange between gold and silver standard countries—Difference between real and computed course of exchange—Exchange between England and Holland before coinage in King William's time—Effect of currency on rate of exchange—State of exchange between two countries is limited by the expense of conveying and insuring the precious metals from one country to the other—Limit of exchange—Increase of premium and insurance by war.	
Cost of Transporting Gold	436
Expense of transporting gold from London to Hamburg—Increase of expense by war—Highest cost—Higher rate for transportation to inland towns—Limit of exchanges—Exigencies of war not sufficient to account for low rate—Opinion of the Committee.	
Imports and Exports	437
Excess of imports above exports—Balance of trade—Little confidence in deductions from the statistics furnished—Reasons for this opinion—Omissions in the report—War expenses abroad—Value of imports and exports, 1805-1809—Drafts on the Government for foreign expenditures—Supply of bills and the price of exchange—The price of bills regulated in a degree by that of English commodities—Effect of balance of trade on bills—Reaction.	
Actual State of Foreign Exchange	438
Cost of real exchange—When exchange is at real par—Calculations of Mr. Greffulhe on exchange—Questions bearing on exchange asked by the Commission—Deductions from Mr. Greffulhe's answers—Inference of the Committee.	
EFFECT OF BANK OF ENGLAND QUASI LEGAL-TENDER ISSUES ON GOLD EXPORTS AND PAPER DEPRECIATION	439
Importance of watching foreign exchanges and the market price of gold—What is the belief of the Directors of the Bank of England.	
Practice of the Bank	440
Governor of the Bank of England of the opinion that the paper circulation does not affect exchange—Notes for exporting gold not discounted—Mr. Pearce's testimony—Method of the Bank in issuing notes—Amount of Bank notes does not operate on the price of Bullion—Exchanges not influenced by Bank issues—The Committee's opinion as to the influence of Bank-note issues—Fluctuations of exchange generally referable to the course of commerce—Fallen exchange not able to recover itself—Effect of resumption of cash payments on exchange—Exchanges and price of bullion affected by the amount of a paper currency—Demonstration of the principle in the history of modern States.	
Earlier Variations in Exchange	441
The lack of confidence in bank issues—Excess of paper money and lack of confidence produce effects more rapidly than when acting separately—Examples in the British Colonies—Assignats in France—Austrian Government—Examples of excess alone—Exchange between banks of England and Scotland—Reasons for excessive note issues—Clipped coin—New coinage of silver—Withdrawal of notes—Great depreciation of the Irish exchange with England, 1804—Testimony of the Directors of the Bank of Ireland—Held that the diminution of Irish paper would not help the matter—No depreciation of Irish paper in Ireland, but only in London—Contraction in 1753-1754—Ireland no dealings in foreign exchanges except through London—Effect of, on Bank of Ireland—Increase in its issues—Suspension of payment not sought by the Bank of England.	
Convertibility the best Regulator	444
Influence of foreign exchange on bank issues—Redemption brought about by too large issues—Reduction of gold—The Directors of Bank blind to the workings of exchange—Temporary suspension of specie payments—Limiting accommodation in periods of alarm—Checks to paper issues—Opinion of the Committee.	

	PAGE
Character of Discount: Insufficient to Guard Against Depreciation	444
Policy of the Bank of England in regard to circulation—No possible excess of Bank of England issues on solid securities—A theory of banking—Opinions of bank directors—Notes not forced into circulation—The measure of security or abundance (the discount of good paper)—Control of bank notes in circulation—Issues of bank never pushed beyond the interest of the public—Different situation of Bank under suspension of payments—No check upon its issues—Regret of the Committee—Fallacy of the doctrine held by the Directors—Advance of capital to merchants an addition to the general mass of circulation—The process of enlarging the circulation—Effect on prices of commodities—Interest law exposes Bank to demands—Bank of England not able to supply exact amount needed during suspension of specie—A metal currency self-adjusting—Errors in the policy of the bank Directors.	
CONSEQUENT INFLATION OF CURRENCY	448
Progressive increase in the circulation of the country—Country bank paper—Average bank-note circulation previous to 1797—Increase from 1798 to 1806—Small notes to take place of specie—Increase in small notes—Advances of bank to Government—Exchequer bills—Amount of commercial discounts increased—Excess of paper currency the evil.	
Quantity of Currency Required a Relative Matter	449
Amount of bank notes not a safe method to judge of excessive issues—Quantity of currency needed varies with state of trade—The rate of circulation—Amount required under different states of credit—Improvements in banking—Criterion as to excess of circulation—Distress of 1793—Method of relieving the distress—Panic of 1797—Distress heightened by diminution of bank notes—Distinctions to be made in the demands upon the bank for gold—Liberality in the issue of bank notes.	
Circulation of Country Bankers	450
Paper of currency banks based on paper of Bank of England—The reason for it—Local rise of prices—The effect of an excess of Bank of England paper—Condition of the country bank circulation—Increase in country banks—Reasons—Stamp duties as indicative of circulation—Number of country bank notes—Estimate as to the circulation—Probable increase in amount of notes—Not possible to ascertain the excess—Temptation to issue notes—State to receive part of the profits—Danger to the system.	
CONCLUSIONS	452
High price of bullion indicative of excessive circulation—Not sufficient check and control in the Bank of England—Disadvantages from depreciation—Effect of such depreciation—Wages—Alteration of the standard—Opinion of the Committee—Indirect schemes of palliation—Necessary to resume specie payments—Gradual mode of effecting specie payments—Peace and the resumption of specie payments—General confidence only secured through resumption—Improvement in the exchanges—Details left to the bank—Provisions for the payment of specie by the banks of Scotland and Ireland.	

BIMETALLISM IN HISTORY.

The only Supernatural Authority, Book of Mormon.

PERIOD FROM 1600 TO 1792	456
England alone endeavoring to maintain double standard 1620—Silver and gold as separate standards—Store of precious metals at this time—Dr. Soetbeer's tables—Ratio of value—Relative values changed with the product of the mines—The world's supply in 1640—New discoveries—Increase in product of silver—Ratio falls 14 : 1—England and Bimetallism—Variation in ratios—Attempt to fix ratio of 13 : 1 by law in time of James I.—Real ratio 12 : 1—Effect—King orders exportation to cease—Charles I.'s policy—Trade in money—Penalties—Legislation in the reign of William III. and George I.—Clipped and Shaved moneys—Recoinage of silver coins 1699—John Locke's conclusion—Recoinage not a remedy—Speculative character of the currency—Sir Isaac Newton's opinion—Difficulties in the American colonies—Mint at Boston prohibited—Legislation up to 1792—Silver grows dearer.	
A SINGLE STANDARD ADOPTED IN EUROPE	458
First Coinage act in United States 1792—England's struggle—Legal tender by tale and weight—Adam Smith assumed silver to be the standard of English money—The true ratio—England adopts the single gold standard 1792—Light silver coin not imported—England passes to a gold standard—Definition of gold standard—Silver overrated by the Mint laws—Effect of the law of 1798 not serious—Ratio for ten years after 1798—France, Belgium, Italy and Switzerland adopt the silver franc as a monetary unit—Gold standard formally adopted by England 1816—Reason for adoption—Lord Liverpool's remark—The monetary unit in England—Legal gold coins—Silver legal tender to the amount of £2—Ratio—Silver coined on Government account only—Gold coined at private account £3 17s. 10½d. per ounce—English colonies adopt it—British-Indian Currency Law 1835—Silver monometallic—Rupee the standard—Suspicion of private silver coinage—Locke's dictum grows in favor—Growth of commerce caused a change—Unsettled commerce forced nations toward monometallism—England gold, France silver—Gold at a premium—1820-1847—Netherlands monometallic—Double monometallic—Germany currency reform 1871.	
THE GOLD MOVEMENT IN EUROPE	460
Tendency first part of century toward single standard—M. Chevalier advocates silver—Mr. Giffen's assertion—Gold at a premium in France 1820-47—Ratio 15½ : 1 fixed in 1785 continued in 1803—Commercial ratio—Effect of gold discoveries in California and Australia—Attempt of France to maintain parity—Gold undervalued in France 68 years, correctly one year, and overvalued 21 years—The position of silver during these years—Gold's appearance 1851 and 1853—Gold preferable—Discovery of silver deposits—The price of silver—Europe takes up the gold standard—Effect of silver upon France—Germany closes mint to silver 1871—The fall in silver—Not arrested by Silver Purchase Law in the U.S.—Decline partly due to Latin Union in closing its mints to silver and Austria's adoption of the gold standard—The Latin Union 1865—Silver token coins legal tender—Latin Union closes its mints to silver on private account 1876—Action of other countries—U.S. tries to rehabilitate silver—Europe adopts a gold standard.	
IN THE UNITED STATES BEFORE 1873	462
Experience for first 80 years somewhat like that of France—Theoretical double standard—Practically monometallic—Like England in 17th century—Worn coin in the United States—First Coinage Act 1792—Hamilton and Jefferson—Combination of English ratio and French system.	
1792-1834. Silver Monometallism Under Double Standard	462
Coinage of gold and silver 1794, 1795—Gold undervalued—New coins did not circulate—Worn coin accepted in payment for customs duties and allowed to go in circulation—Gold exported—Legal and market ratios 1793—Ratio 1794—Coinage of silver dollars suspended 1804—Coinage of 1000, 1834—Up to 1859 less than 400,000 silver dollars coined in any year—Gold coinage—Gold disappears 1817—No coinage until 1849—Business carried on by means of paper currency—Specie	

	PAGE
payments suspended 1814—U. S. Bank re-chartered 1816—Attempts to check exportation of American coins—Foreign gold coins not legal tender 1816-1819—Foreign gold coins receivable for public lands—Dollars of Mexico, Peru, Chili and Central America and five-franc piece of France legal tender at nominal value.	
1834-1893. Gold Monometallism Under Double Standard	463
1834, foreign gold not legal tender—Basis of circulation foreign silver—Gold movement—Discoveries in South—Protective movement—Gold and silver dollar reduced—Effect upon gold and silver—Coinage of half-eagles—Eagles 1 01 resumed 1838—Double-eagle 18.0—Gold dollar increased to 25.8 grs.—Silver underrated—Exportation—Presence of Spanish-American coins—Fractional silver 1853 made subsidiary and token money—Made legal tender—Gold monometallism until 1873—Silver dollar too valuable to circulate—Act of 1834 drove silver out—Did not affect price of silver—Quotations from London market 1833-1842—Increase in price of silver due to gold discoveries—Silver begins to fall—Demonetization 1873.	
IN THE UNITED STATES SINCE 1873	464
The Act of 1873—Movements affecting currency—Silver not demonetized by Act of 1873—Done by Act of 1834—Change of ratio at that time—Token money aided gold monometallism—Silver overvalued—No effort to restore the market ratio—No complaint that the silver dollar was dropped, 1873—The trade dollar authorized—Made legal tender, a mistake—Rectified—Contention that silver was surreptitiously demonetized—Facts do not sustain it—No bearing on the merits of bimetalism or monometallism—History of the Act of 1873—Mr. Knox's explanation accompanying the bill—Gold basis by law 1873-1878—Fall in the price of silver, 1876—Increase in the production of gold and silver output, 1851-1875—Silver driven into the melting pot—Gold in Europe—France, 1852-1864, absorbed \$6 000,000—Gold in United States—Increase of annual product, 1847-1848—Silver product, 1868-1873—Silver increased—Gold held its own—Increase in supply of silver and decrease in demand—Highest prices, 1860—1873 price falls—The effect of demand on the price—The new German Coinage Act and sales of silver—German demand for gold about \$414,000,000—Effect on the price of silver—Decrease in demand for silver—Belgium, Holland and India—Exports of silver—Reason for fall in price, 1876—Gold and silver alternate national metals—Increase of silver advocates in Congress—Senator Henry M. Teller—Colorado admitted—1876 gold and silver product equal—Increase in product of silver, 1893—A cause of fall in prices—Free coinage movement 1876—Activity in the House—Bland Act—History of bill's passage—The bill in the Senate—Mr. Allison—Conditions of Act—Silver certificates—Monetary conference—Free coinage defeated—President Hayes vetoes the bill—Passed over the veto February 8, 1878—The Mathews resolution—Its effect on U. S. bonds—Return of bonds from Europe—Only \$2,000,000 coined per month—Bullion owners demand more than market rates—Sec. Sherman's interpretation—Difficult to circulate silver dollars—New York Clearing House declined to receive the certificates—Compelled to do so by Congress—Government pays for transporting the dollars—One, two and five dollar certificates issued—Surrender greater part of bank currency makes a place for the new silver currency—Neutralizes the effect—Amount purchased under Act 1875—Amount paid—Amount issued in coins—Silver still continued to fall—Prices 1878-1889—Senate Free Coinage Bill 1890—House did not concur—Compromise measure known as Sherman Act—Its conditions—Established policy of the United States to maintain a parity—Purchases under the Sherman Act—Loss to the Government—Effect of the law—Alarm of American security holders—Hoarding of gold—Export of gold 1888-1893—Loss of gold to United States—Percentage of customs duties in gold—Shows departure of gold—The business distress.	
RECENT DEVELOPMENTS	468
Repeal of Sherman Act 1893—Closing of the Indian mints 1893—The panic in silver—Lowest point in the price of silver—Variations in the price—Increase in the production of gold—Expectation concerning the increase.	
A CENTURY'S STRUGGLE NOW ENDED	478
The question of bimetalism answered by recent developments—International trade barriers broken down—Dependence of government upon conditions of finance and commerce—Laws powerless to affect the tides of commerce—In matters of currency, commerce all-powerful—Offices of legislation two—Must look to commercial development, not to legislation—Supply and demand for coin currency vitally affected by three factors: (1) The development of communication facilities and commercial expedients; (2) Discoveries of new deposits and cheapening of gold and silver production; (3) Extent to which silver has been renounced as a basis—Annual products effect value of gold and silver but slowly—The demand decreased greatly in comparison to rapidly increased supply—Both cheapened compared with price of labor—Third factor present in last 25 years—World conducting business on gold-standard basis—Result of it—Not easy to decide that gold has appreciated—More steady in late years and more steady than other products of industry—There might be a question how far comparative appreciation of gold should be tolerated—Fortunate events assure a solution without intermeddling—Tendency to depress silver and appreciate gold practically spent—Commercial developments lessening the amount of metal required for exchanges—Probable production of gold, 1895-1900—The last quarter century culminated in world-wide movement to displace silver and to appreciate comparatively the commercial value of gold—The operation practically at an end—Compensating forces at work—Value of gold must henceforth steadily depreciate.	
BIMETALLISM IN FRANCE.	
MONETARY ACTION OF REPUBLICAN FRANCE	472
Early assignats—Decree of 1793 fixes a monetary unit—Adoption of the silver franc as the Monetary Unit, 1795—Other monetary units—Attempt to fix ratio at 16-1—The ratio between gold and silver fixed at 15½ to 1—The law of 1803—Gold coins and standard fixed—The monetary unit of French money—Slow development of new coinage system—Decimal system introduced—Suppression of gold coins—Bimetallic theory not broached until formation of Latin Union—Difference in situation between France and England—France not free at any time from disastrous effects of the variances between legal and commercial ratio.	
BIMETALLIC EXPERIENCE	474
Course of the market ratio—Commercial ratios not steadied by action of France—Variations in ratios—French law did not dower the world with a steady ratio.	
REAL BIMETALLISM NEVER SECURED	474
Influence of the variation upon store of the precious metals—Movements and mintings of metal—Importations of silver, 1830-49—Gold displaced—Change in ratio causes gold influx—Total importation of gold—Exportation of silver—The final change in commercial ratio, 1865—Premium on gold importation changes into one on silver—Importations of silver, 1865-1875—Table of the net imports or exports of gold in France under the Bimetallic Law, 1822-1875—Chart representing bimetallic experience of France—Table showing movement of silver during same period—Table showing coinage of gold and silver in France, 1803-1875—Total silver coinage of the French Mint, 1820-50—Total gold coinage, 1850-1866—Reserves of Bank of France, 1851 to 1876—The interference of the legal ratio—The <i>expose des motifs</i> of the law of 1876—Change from one metal to the other attended by loss.	

	PAGE
FRENCH MONETARY COMMISSIONS	479
The Commission of 1867—Fixed ratio cannot remain correct—Conditions in France—Exportation of silver—Commission of 1857—Obstructions to retail commerce—Commission of 1861—Counseled a reduction of fineness—Law of 1864—The Latin Union—Object of the Union—The Latin Union a defense against effects of bimetallic law—Factors in its formation—The action of Belgium—Disappearance of small coins—Suspension of cash payments in Italy—Monetary conference at Paris—Establishment of the Union—Regulations concerning coins and coinage—Maximum mintings—Limitation of the coinage of the five-franc piece—Switzerland opposes limitation—Mintings of the States of the Union, 1865-1878.	
The Mint Convention of 1878	482
Prolongation of the terms until 1891—Act of March 21, 1876.	
SUMMARY	482
Past events brought monetary questions to a head—Double standard constantly called in question since its origin—The decision of the French Government—The occasion of limiting the mintings of silver.]	
WAMPUM CURRENCY.	
THE STORY TOLD BY COLONIAL ORDINANCES OF NEW NETHERLAND	483
Demonstration by experience that one community cannot uphold a currency above its commercial valuation—Beaver skins and wampum as currency in New Netherland—Their decadence in the years 1641-62—Futile attempts to prevent depreciation by legislation—Interesting ordinances attempting to fix the value of wampum—Continued depreciation—Complaints of dearth of all necessary commodities—Prices in wampum 50% higher than in coin or beaver—Attempts to fix a maximum price for provisions—Great importation of wampum from New England, in exchange for commodities and beaver—Result, New Netherland merchants left with their chests full of wampum, "a currency utterly valueless except among New Netherland Indians only."	
STRICTURES ON TENDER-ACTS.	
THE FATAL ERRORS OF CONTINENTAL CURRENCY LEGISLATION	491
Attempt to maintain the credit of Continental money by acts of compulsion—An error difficult to eradicate—Congress early resolved that refusal to accept Continental money was treasonable—Tender Acts, limitations of prices, penal laws—The resultant ruin, with no benefit to the country.	
TENDER ACTS CONSIDERED	492
Nature of a tender act—Legal establishment of a standard of value—In justice it must follow, not force, a commercial standard—Continental legal-tender notes not money, but at best a promise to pay money in six years—Therefore, even with the best security, less valuable than cash—To force acceptance of less valuable in full payment for more valuable, unjust and an infringement of natural rights—Dishonesty of the system—Worst kind of evil is iniquity framed by law—Against public policy to afford protection to injustice—Even the Revolutionary cause cannot require or justify such measures—Credit or value of money cannot be supplied by penal laws or coercive methods—Man may be compelled by force to accept poor money, or by the same force to accept no money—But the value of money not so helped—Only possible method of giving value or credit to money, to base it on that which is most highly esteemed—Summary: (1) Tender Acts retard industry; (2) double cost of supplies; (3) corrupt morality; (4) destroy public credit; (5) encouragement to enemies.	
A STABLE MONETARY STANDARD.	
INTRODUCTION	498
Difference between political and scientific influences—Politics and scientific investigation—Contribution of science to politics—Adherence to methods of truth—Banishment of prejudices and private interest.	
Legal Tender the Interfering Factor	498
Claim of the question of monetary standard upon science—Settlement of the question hindered by the existence of legal tenders—No legal tender in international contracts—The hypothesis of legal tenders.	
STABILITY IN VALUE	499
The stability in value an essential requisite—The uses of money—As a standard of deferred payments—Changes in monetary unit—Necessity of stability.	
An Appreciating Standard	499
Direction of changes in standard—Complaint of falling prices and appreciating standard—The real and imagined creditor class—The effects of a depreciating and an appreciating unit.	
A Depreciating Standard	500
Argument of stimulus to trade—Increased use of money metals—Effect of a depreciating currency—Returns from investments—Policy of encouraging debtors—Labor not able to avoid the burden of depreciation—Excess of currency—Changes in standard of value hurtful.	
STANDARDS OF VALUE	501
Changes in value—Measures of value—Fluctuations at home during the war and international trade—The nominal unit not always a true unit—What is uniform value—Conventional demand for gold not in itself any indication of stable value.	
Commodity and Labor Standards	502
Unit of value—Ways of estimating the unit of value—Commodity standards—Labor standard—Difference between the two—Criticism of the two standards—The absolute unit a chimera—What units approach nearest to the ideal.	
STABILITY AS SHOWN BY STATISTICS	501
Authorities—Tables of relative prices and wages—Chart showing relative prices and wages, England, France, Germany and U. S.—Explanation of chart—Difficulty of securing foreign price and wage statistics—Meaning of the figures.	
Interpretation	507
Which of the two metals furnishes the better monetary standard—Prices followed silver—Effect of improved machinery—Silver as a measure of value—Influence of the tariff on prices—Conservatism of prices—Oscillations in prices not due to divergence of metallic standards—The just measure of wages has not been silver.	
The Gold Standard Inevitable	509
The labor standard—The true measure—Gold seems to fulfill the requirements—More than this, it is inevitable—Economy has compelled the use of the gold standard—Compulsive force of gold too strong to be counteracted.	
A DOUBLE STANDARD A SYSTEM OF "PUTS"	510
A put defined—Applied to monetary standards—Contracts for future payments involve a speculative element—Intention of a standard—The inconvenience of alternating standards—Prices of gold, silver and commodities illustrative of the principle.	

	PAGE
PRACTICABILITY OF BIMETALLISM	511
Advocates of bimetallism—Gen. Walker's position—French coinage of 1803 and Dr. Soetbeer's table—Variations in the ratio—Bimetallism in France—The failure of bimetallism—Amount of silver coined 1876-1880—Influence of France on ratio—Preference for gold—National combination for bimetallism—Alleged benefits of free coinage—Steadiness of French finances.	
CONCLUSION	514
When a monetary standard is constant—What is the best standard—Doubtful practicability of two standards—Needless interference in money matters by the governing power—The position the government should occupy—Freedom of contract—True solution—abandonment of legal tender power.	
<hr/>	
FOREIGN EXCHANGES AND MOVEMENT OF GOLD, 1894-1895.	
INTRODUCTION	516
Variations in foreign exchange—Movement of gold—Reaction from heavy imports of gold—Exchange, 1886—Gold coin and bullion exports and imports, 1886-1895.	
UNUSUAL FINANCIAL FEATURES	516
The crisis in the Treasury—Nearness of a panic—Prediction of events of 1895—Greenback craze—The free coinage of silver—Other causes for the crisis.	
GOLD AND THE FEDERAL TREASURY	517
Movement of the gold in the Treasury—Falling off in the amount—Export of gold, 1892-1893—Panic demands for gold.	
Free Gold Exhausted	517
April, 1894, only reserve left—Rise in exchange—Charts of movement of exchange, gold coin and bullion—Reserve below limit—Elements tending toward export of gold—Conditions in Bank of England.	
Conditions in Europe	520
Accumulating gold in France—Task of accumulating a war reserve—Situation in Germany—Market affected by political issues—Germans driven to make foreign investments—Accumulations of gold in Germany—Movement of gold from United States—The aggregate exports for 1894.	
THE NATIONAL SCRAMBLE FOR GOLD	521
Gold to replace paper currency—Efforts of Nations to secure gold to make the change—Italy and Austria throw off paper currency—Demand for gold and nothing else—Indirect influence on United States.	
Influx and Efflux of Gold in Bank of England	521
Temporary pressure on the market—London leading free market for gold—The movement of gold in Bank of England—Par of exchange—Distribution of gold in leading State banks of Europe.	
THE REAL CAUSE OF TROUBLE IN THE UNITED STATES	522
Gold accumulating in European centres—No difficulty to get gold—Example of Chili—Anxiety in the United States.	
Indebtedness to Foreigners	522
Estimates of this indebtedness—Reasons for it—Securities, 1892-1893, thrown back on the United States—Increase of gold exports.	
Withdrawal of Investments	523
The foreign investor demands gold—Gold required by all—Treasury not able to hold its supply—Redemption of notes—Treasury supply only one easily drawn on—Net gold in the Treasury, 1894, 1895.	
RECOURSE TO THE SALE OF BONDS	523
Treasury compelled to sell bonds—Act of January 14, 1875, the authority for bond sale—Conditions of the law—Returns from the sale—The reserve in February, 1895.	
Continued Drain on the Reserve	524
Increase in the outflow—Treasury gold again depleted—Loan repeated—Causes for withdrawals—Congress refuses to assist.	
THE BOND SYNDICATE	524
The agreement with the Syndicate—The attempt to regulate exchange a novel one—Difficulty of retaining gold in the Treasury—Obstacles to success—Justification of the Bond Syndicate by results—Redemptions in gold.	
Rate of Exchange and Influence of Syndicate	525
Rate high, but little export of gold—The power of regulating the exchanges—Loss and gain in gold—Falling off of gold exports to Europe—The profits of Syndicate measured by risks.	
The Contract and Work of the Syndicate	526
The final payment—The plan of the Syndicate—The hope of the Treasury—The movement of the crops delayed—Highest points of exchange—London exchange on New York—Rates of exchange at New York—Net movement of gold—Demand for bills—Maintenance of public confidence—The only safety—The value of the assistance received from the Syndicate.	
THE PROBLEM NOT YET SOLVED	528
Fear of silver excess removed—Other factors of mischief—The necessity of a reserve under the present system—Percentage of Treasury reserve—Amount of gold in the country 1894—The Treasury has no command over its gold—The Treasury notes 1890 considered as good as gold—They form a demand on the Treasury.	
Location of Currency Inflation	528
Condition of currency due to war legislation—Circulation 1878 and 1895—Increase in gold since 1879—Treasury notes of 1890—Redemption of them—No excuse for the continuance of the legal-tender note—Expense of redemption—The result of retiring legal-tender and Treasury notes of 1890.	
TREASURY RESERVE	529
The necessity of a reserve—Legal tender notes a lien against reserve—Gold alone leaves the country in case of inflation—Elastic elements of the currency—The weak points of our system—Cash balance and net gold in Treasury since 1891.	
THE NEED OF THE TREASURY	530
Treasury should be given more power—Deficit legislation almost unknown—Treasury cannot issue temporary notes or Exchequer bills—Should be given this power.	

QUALITY OF MONEY AND WAGES.

DEFINITION AND EXPLANATION	532
Laborers as creditors—Importance of quantity to others—Importance of quality to wage earners—Definition of quality and quantity—Nominal and real wages—Purchasing power of wages.	

	PAGE
WHERE LIES SPECIAL INTEREST TO WAGE EARNERS	532
What a laborer works for—Labor exchanged for commodities—Importance of high purchasing power—Fluctuations in money from two views.	
QUALITY FROM TWO STANDPOINTS	533
Permanent Quality	533
Two phases of quality—Permanent quality a matter of convenience—Metals as money—Why gold is used—The stability of value—Interest of wage earner in good money.	
Variation in Quality	533
Wage earner a capitalist or investor only in a limited way—Use of money to him—Permanency of value, of little interest to laborer—Concerned in present purchasing power of wages—Tendency of wages, prices, etc., to adjust themselves to the medium of exchange—Advantage of good money—Changes of wages and prices concern the wage earner.	
THE NATURAL RESULT	534
Price adjustments—Causes for variation in prices—Changes in wages slow—Prices respond more quickly to changes in the quality of money than do wages—Advantage of appreciation to wage earner—The damage done by depreciation.	
EXPERIENCE	535
Theoretical discussion backed by experience—Comparison of silver-using countries with U. S.—Statements of silver advocates—Improvement in the condition of the laborer in silver countries—Better cared for in gold countries—Betterment in gold standard countries not due entirely to gold standard—Variance in the quality of money.	
United States	536
Facilities for tracing effect of money quality—Money experiments in the U. S.—The effect of the Civil War on money—Depreciation 1865—Nominal and real wages 1860-65—Standard of measurement—Course of wages and prices 1860-1891—Condition of wage earner during this period—The apparent growth of wealth during the War—Appreciation of currency standard from 1865—Increase in purchasing power of wages—Percentages of increase—The lesson as seen in the experience of the U. S.	
Japan	539
The industrial revolution in Japan—The change in method of government—Report of Consul-General M. W. McIvor—Japan becomes a manufacturing nation—Competition for the Eastern trade—Cost of manufacturing cloth in Japan and India—Increase in cotton mills—Profits to the manufacturer—Low wages—Increase in prices faster than in wages—Percentages of advance—Present position of Japan—Real wages in Japan.	
China	541
No awakening in China—China a hermit nation—Silver the commercial money—Imports larger than exports—Imports and exports, 1882-1892—Gold exported to pay imports—No influx of silver into China—Little change in purchasing power of money—Appreciation of gold—Low wages—Depreciation of silver has little affected China.	
India	541
Development of India tended to raise prices—Importation of precious metals—Comments of the Indian Commission, 1892—Labor suffered by the depreciation of silver—Wages and prices in the various provinces—Percentages of advance and decrease in prices and wages—Tables of wages and prices in India, 1886-93—Equalizing tendency at work in India—Effect of silver on India—The Herschell Report—Exports may have increased the demand for labor—Not the result of depreciated silver, however.	
Mexico	544
Increase in manufacturing caused by heavy exchange—Obligations now paid in gold and agricultural products—Increase in exports not large—Condition of the laborer—Extract from Bureau of American Republic—Señor Romero on the situation—Wages have risen somewhat—Prices in Mexico—Prices advance faster than wages.	
SUMMARY AND CONCLUSION	541
Wage earners suffer the most by depreciation—Wages to rise under a silver standard, but after prices—Secretary Windom on a depreciated currency—Opinion of the Government of India—Manufacturer gains at the expense of labor—Mr. George Jamieson, wages in gold countries appreciated—Wage earner not gained anything by the depreciation in silver—Possibility of appreciation—The only fair currency a stable one.	
CHEAP MONEY IN CHILE.	
CHILEAN CURRENCY UNDER FREE COINAGE OF GOLD AND SILVER	548
Since 1851 free coinage of gold and silver at ratio of 16.39 to 1—Undervaluation results in gold standard of currency—Coinage of gold 1859-74 double that of silver—Exportation of silver as fast as coined—Gold driven out by silver about 1874—Director of Mint, 1876, points out the change to silver standard taking place as a consequence of fall in the value of silver—Chilean currency, though nominally bimetallic, thus in fact gold monometallic until 1874, and then silver monometallic.	
CHILEAN BANK ISSUES	550
Decline from silver monometallism to inconvertible paper originates with the banks—Banking legislation—Too liberal provisions for note issues and too little public supervision—Temporary inconvertibility during war with Spain in 1865—Prompt redemption—Extension of bank-note circulation expels silver coin—In 1878 notes made receivable for government dues—Disappearance of coin from circulation—Critical condition of the banks—Legislation of 1878 establishing inconvertible paper—Postponement of return to specie payments.	
GOVERNMENT PAPER ISSUES	553
Issues of 28,000,000 pesos of treasury notes in 1879 and 1880 continued depreciation—Even the debased subsidiary silver too valuable to circulate—Government paper reduced one-fourth by 1891—Further issues by President Balmaceda.	
FLUCTUATION IN EXCHANGE AND DEPRECIATION OF THE PAPER PESO	554
The facts shown by diagram—Exchange based on silver until 1878—After that date on the paper peso—Fall from 45 pence to 24 pence by 1884 and to 11 pence in 1891—Rise and steadiness upon resumption in June, 1895—Depreciation of silver would have carried it down 50 per cent. even if redeemable—Lack of confidence in intention of Government to redeem—Discrimination by Government against its own notes.	
INFLUENCE OF CURRENCY DEPRECIATION ON WAGES	558
Wages have risen slowly or not at all—Prices more rapidly—Salaries of official employees unchanged—Condition of all wage-earners unendurable—Unfortunate results to investors.	
THE RESUMPTION OF SPECIE PAYMENTS	560
Made difficult through delay—Preparatory measures in 1887—Redemption and cancellation of 7,000,000 pesos and accumulation of silver reserve—Revolution in 1891 put a stop to retirement—Loan of 1892 to fund floating indebtedness—Though Chile produces silver, no suggestion of silver or "bimetallic" made—General agreement in favor of a gold standard—Outline of the plan for resumption—Contracts for payment in gold or in silver—Final resumption to be on basis of gold value of 25-grain silver peso—Provisional resumption at lower rate—Resumption Act of November 26, 1892—New gold coinage with peso of 24 pence—Loan of £1,200,000 to redeem Government bills—Continued depreciation of the paper peso—No public confidence—Discrimination by Government	

against its paper—Resumption Act of May 31, 1893—Same coinage basis—Paper to cease to be legal tender after January 1, 1897—Resumption to be unconditioned, but dates postponed—Lack of public confidence—Continued fall in exchange—Failure to provide for redemption of bank notes—Unfavorable outlook for resumption—Certain classes interested in "cheap money"—A weight upon the wage earner—Disappointing results of Acts of 1892 and 1893—Resumption rendered possible by a compromise—Exchange fallen to 11½ pence—Resumption Act of February 11, 1895—General plans of earlier acts followed—Provisional resumption June 1, 1895—Basis a new gold peso of 18 pence—Final resumption on basis of gold value of 25-gram peso, December 31, 1897—Government notes cease to be legal tender after that date.

SUPPLEMENTARY LEGISLATION	569
Redemption of bank notes—Deposit of full guaranty—Bonds sold to secure funds for resumption.	
THE OPERATIONS OF RESUMPTION	570
Redemptions of Government and bank notes—Rise of exchange to approximately the new basis—The success of the operation—Sound finances attracting capital.	

CONDITIONS FOR AMERICAN COMMERCIAL AND FINANCIAL SUPREMACY.

STATE ISSUES OF PAPER MONEY	572
--	-----

A necessity in time of war—Advances by the Bank of England in 1797—By France in 1870—Commonly resorted to in times of war—Experience of England—Of France—Greenbacks originated in this necessity—Mistake of our Government in not promptly redeeming and retiring—Serious effect upon the country's finances.

Why a Government Should Not Maintain a Paper Currency	573
--	-----

A fiduciary currency—Elasticity required to follow the movements of trade—Complicated methods required to regulate and maintain—Government has no means of regulating supply and demand—Oscillations in circulation—In the Bank of France—Can be regulated only by professional bankers.

The Specie Reserve Problem	574
---	-----

How maintained—By banks in most countries—Exports of gold necessary at times—Excessive exports—Banks solve the question by advancing the rate of discount—Government cannot regulate the rate of discount—Facilities of bankers—Securing foreign loans—Position of the present administration.

BIMETALLISM	575
--------------------------	-----

The gold standard—Hesitancy by the United States in adopting—The largest producers of silver—Comparison with other industries—Market value in 1893 only \$37,000,000—Insignificant compared with other industries—Effect of an universal gold standard on silver—Interests as silver producers secondary to advantages from a gold standard—Geographical advantages of the United States—The future commercial and financial supremacy—Want of a solid monetary system in the United States—Lack of confidence in our monetary system—A bar to our prosperity—Real cause of decline in prices—Not European monetary legislation—Real causes—Better facilities for production—Increased production—Obstacles to increased prices—Uncertainty as regards monetary matters—"Rehabilitation" of silver.

Bimetallism Rapidly Losing Ground	577
--	-----

Difficulties of restoration twenty years ago—Difficulties now—Disparity in the present ratio of gold and silver—Failure of the efforts of the United States in the Bland and Sherman Acts—Bimetallism not important in European countries—European nations that have dropped silver in favor of gold—Increase in production of gold from 1850-1870—Decrease from 1870-1884—A new age of gold—The Transvaal—Liberia—Total production from 1492-1893 only \$8,600,000,000—Yield will soon be \$200,000,000 yearly—Oversupply of gold—Fears of depreciation arising therefrom—Value of gold likely to be nearly stable—Steady prices looked for—Surplus gold absorbed by change of standard in silver countries—Cost of producing gold—Bimetallic movement bound to collapse—Only honorable course for United States—Probable loss to United States in silver purchased—Unimportant compared with sound monetary system.

CONCLUSION	581
-------------------------	-----

Effect of sound monetary system—European capital—Ready to invest—American securities—Development of resources—What is necessary—1. Abandonment of paper money; 2. Adoption of gold standard—Persistence in present system—Trammelled development—Financial Weakness.

THE MONEY OF THE NATION ; SHALL IT BE GOOD OR BAD ?

GOLD THE WORLD'S STANDARD	585
--	-----

Interdependence among nations—Gold the best money—Silver good only for subsidiary use—Silver has been useful as a standard—Survival of the fittest—Gold now the unit—Cernuschi's definition of money—Good money retains its value when melted down—Gold meets the test—The Macedonian "Stater"—Theory of leading bimetallists—Material derives its monetary power from Legal-Tender Acts—Acts of force—Optional money—Creditor has no option—Monometallists' theory—Monetary power derived from actual value of material in community—Effect of stamp on silver.

Gold Standard Indispensable to International Trade	586
---	-----

Purpose of bimetalism—International legal tender—Maintenance of a certain ratio—Impossibility of maintaining a fixed ratio—Amount of international commerce—Our domestic commerce—England's commercial supremacy due to pound sterling—Would bring uncertainty—A new "Stater"—England would lose her prestige—England not likely to discredit the pound sterling.

The Currency of Our Domestic Trade	588
---	-----

Exchanges amount to \$100,000,000 daily—Largely through checks, drafts, etc.—Effect on other mediums of a change in the "Stater"—Our currency in state of uncertainty—Not remedied by sale of bonds—Redemption, the true remedy—Our command over the world's gold—Cheap labor—Wages and profits measured in money—Alleged that gold is becoming scarce—Does it depend on fall of prices in food products—Drop of prices in 1873—Coincident rise in wages—Reduction of our taxes—Loss through purchases of silver—Injection of cheap money—Cause of panic—Results of the panic—The silver miners—Destroyed credit—Silver mines vs. hen houses—The cur dog of our monetary system.

Farm Prices and Silver	592
-------------------------------------	-----

Domestic industry vs. cheap money—Food-producing center of the country—Statistics by L. G. Powers—Place to test the appreciation of gold—Farmer realized only one-third of London price—Reduced freight charges—As a purchaser—Other influences—Silver legislation not responsible for decline in price of grain—Argument of depreciating prices brings appreciated gold not sound—Wheat not our most important crop—Gold values of crops—Comparisons.

Mortgage Debts	595
-----------------------------	-----

Western agriculture—Not in depressed state—Mortgages only half in 1890 compared with 1884—Mortgage foreclosure—Less in 1893 than any previous year—Rising prosperity of the West—Test of appreciation of gold applied in the South—Farmer gets less money—Farmer buys more with same money—Truth as to fiat money—Carroll D. Wright—Statistics—Effect of fiat money on wages—Benefit of returning to gold—As to farmers—As to workmen.

	PAGE
The Workingman's Interests	596
Average variation computed on market prices—Mechanical and manufacturing industries—Diagram—Source of data—Report of Senate Finance Committee.	
The Maintenance of Credit	596
Meaning of votes for silver—Policy of Texas—Creditor has no rights there—Effect on foreign capital—Retards development of her resources—Opposition to gold standard—Depths of financial ignorance—Her currency during the Rebellion—Capital avoids such fields—Mr. Bailey's speech—Farmers the chief customers of manufactures—Depression of their industry depresses other industries—Export of manufactured goods—Increasing demands.	
Our Foreign Markets	599
Our best market—Machine-using nations—Countries of highest wages—Exports to gold standard countries—Source of high wages—The products of the nation as a whole—Statistics and comparisons—Our chief competitors are our largest customers—Taxes per capita—Jingo policy—Cost per capita of our government—Our population—Our resources—Our future commercial supremacy—A just unit of value necessary—Loss from present system—Deficiency in revenue caused by discredit—Our prosperity dependent on good or bad money—New England's attitude—Let the tariff alone—Defense of the present standard the important question—What candidates for Congress must face.	
"FREE COINAGE" DISSECTED.	
STATUS OF OUR CURRENCY	604
Demoralizing interference with the currency since 1861—Voluminous currency statutes—Results of this policy—Currency situation obscured by the politicians.	
FIAT MONEY THE ESSENTIAL QUESTION	604
Fiat money an interference with trade—Definition of fiatism.	
Greenback Legal Tenders	604
Greenbacks are immoral—Injustice of such legal-tender legislation—Government forced loans—Effect of demand notes—Why the Government is at the mercy of Wall Street.	
"Free Coinage"—Forced Currency	605
Definition of free coinage—No law necessary to force people to buy silver if they want it—The people who want a law are those who have silver to sell, or think they can get it cheaply—Gold endorsement now sustains our silver money on gold basis.	
Bimetallism	607
None in this country—A limit to endorsement—Free silver and a gold endorsement—Bimetallism impossible—Results of attempts at bimetallism—Experience in the United States and other countries.	
INTERNATIONAL BIMETALLISM	607
Why Impracticable	607
The tendency to pay in cheaper money universal—Two divisions of international bimetallists—The effect of bimetallism on the commercial ratio—Argument of bimetallists—Silver discarded as a medium for payments by commerce—People cannot be induced to hoard silver—Gold would remain the standard—Commerce not dependent upon legal ratio.	
Limit of the Power of Government	609
Chas. S. Fairchild on the limit of the power of Government—Possible to drive gold out of circulation—Commerce prefers gold—Not right for a government to interfere to raise the price of a commodity.	
"TREAT THEM ALIKE"	609
Gold not more valuable because a legal tender—Bar gold worth more than legal tender coin—Legal tender law immaterial—A coercive silver law tyrannical.	
REASONS FOR THE USE OF GOLD	610
Gold most convenient—Reasons for its use—Comparatively stable in value—The best metal for international commerce—Amount of gold—More gold now in proportion to its use than ever before—Doubt as to the appreciation of gold—Gold and wages—Not Government's business to interfere with the natural course of prices.	
CONSEQUENCES OF "FREE COINAGE" AS PROPOSED	610
On Creditors	610
Result of free silver—Reasons for low prices—Credits of to-day not long standing—Debtors must meet their obligations without help from the Government.	
Interest	611
Business activity and rate of interest—Silver values detrimental to business interests—Capital would be withdrawn—Interest in fiat money section—Free silver would not add a dollar to real wealth—Would keep money away from sections where such repudiation was advocated.	
Wages	611
The effect upon wages—Depreciation means reduced real wages.	
Who would make and who would lose	612
Free coinage means a silver basis—Corporations would profit.	
APPRECIATION OF GOLD AND WAGES	612
Effect of gold appreciation upon wage earners—Change in retail prices frequent—Changes in wages comparatively rare—The meaning of appreciation—The burden falls on the manufacturer and capitalist.	
INFLATION OF PRICES AND WAGES	612
Free coinage will increase prices—Wages follow prices—The free silver case with the wage-earners—Reduction of purchase power—Low prices a good thing—Prophet Amos on inflation.	
APPRECIATION OF SILVER AND WAGES	613
Laborers not owners of silver—Paid in gold values.	
The Silver Question in a Nutshell	613
The meaning of "appreciated" silver—Wages in foreign countries—Sir Henry Meysey Thompson's statement—Mr. Jamieson's Essay—Silver standard in India, China and Japan enables manufacturers to pay lower real wages—Comparison of wages in gold and silver countries—Señor Romero on the silver question—Are wage-earners getting too high wages?	
QUANTITY OF MONEY vs. QUALITY OF MONEY	614
More money and better times—Confidence in the quality necessary—Mr. Fairchild on quality of money.	
FREE COINAGE UNDEMOCRATIC AND OPPOSED TO FREE TRADE	615
Free silver protection—Free trade and free coinage—Interference by the Government.	
THE QUESTION SHOULD BE SETTLED PROMPTLY	616
The currency issue predominant—The dangers of uncertainty—Sound Money and Democracy—Free coinage of silver means interference with contracts—The Government should mind its own business—Law will not give money not earned—Democratic motto.	

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*"The Congress shall have power to * * * coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures."*

*"No State shall * * * coin money, emit bills of credit, or make anything but gold and silver a tender in payment of debts."—Constitution United States, 1787.*

"The gold coins of the United States shall contain the following quantities of metal, that is to say: Each eagle shall contain 232 grains of pure gold and 258 grains of standard gold."—Act of June 28, 1834.

"Such notes herein authorized (greenbacks) shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest as aforesaid."—Act of Feb. 25, 1862.

*"From and after the passage of this Act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal tender notes * * * but they shall be reissued and paid out again and kept in circulation."—Act of May 31, 1878.*

*"There shall be coined, at the several mints of the United States, silver dollars of the weight of 412½ grains Troy, of standard silver * * * which coins, together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender at their nominal value, for all debts and dues, public and private, except where otherwise expressly stipulated in the contract."—Act of Feb. 28, 1878.*

COINAGE AND CURRENCY LAWS.*

LAWS RELATING TO COINAGE †	2
ACT OF APRIL 2, 1792, ESTABLISHING THE MINT.....	2
ACT OF FEB. 9, 1793, LEGAL TENDER OF FOREIGN COINS.....	4
ACT OF JUNE 28, 1834, REDUCING THE WEIGHT OF GOLD COINAGE.....	6
ACT OF JAN. 18, 1837, REVISING THE COINAGE LAWS.....	6
ACT OF FEB. 21, 1853, REDUCING WEIGHT OF SUBSIDIARY SILVER COINS....	9
ACT OF FEB. 21, 1857, REPEALING LEGAL TENDER OF FOREIGN COINS.....	10
ACT OF FEB. 12, 1873, REVISING AND AMENDING COINAGE LAWS.....	12
ACT OF JUNE 22, 1874, REVISED STATUTES OF THE U. S.....	13
ACT OF FEB. 28, 1878, COINAGE OF SILVER DOLLARS (BLAND ACT).....	18
ACT OF JULY 14, 1890, PURCHASE OF SILVER BULLION (SHERMAN ACT).....	20
ACT OF NOV. 1, 1893, REPEALING IN PART ACT OF JULY 14, 1890.....	21
LAWS RELATING TO GOVERNMENT NOTES †	22
ACT OF JULY 17, 1861, \$50,000,000 DEMAND NOTES.....	22
ACT OF FEB. 25, 1862, \$150,000,000 LEGAL TENDER NOTES.....	23
ACT OF JULY 11, 1862, \$150,000,000 LEGAL TENDER NOTES.....	24
ACT OF M'CH 3, 1863, \$150,000,000 LEGAL TENDER NOTES.....	25
ACT OF FEB. 4, 1868, TO SUSPEND FURTHER REDUCTION OF THE CURRENCY	28
ACT OF M'CH 18, 1869, TO STRENGTHEN PUBLIC CREDIT.....	29
ACT OF JAN. 14, 1875, RESUMPTION OF SPECIE PAYMENTS.....	30
ACT OF MAY 31, 1878, FORBIDDING FURTHER RETIREMENT OF LEG. TENDERS	30
LAWS RELATING TO BANK CURRENCY †	31
ACT OF FEB. 25, 1791, UNITED STATES BANK (1ST).....	31
ACT OF APRIL 10, 1816, " (2ND)	32
ACT OF JUNE 3, 1864, NATIONAL BANK ACT.....	31
ACT OF M'CH 3, 1865, TEN PER CENT. TAX ON NOTES OF STATE BANKS, ETC.	31
ACT OF JUNE 22, 1874, REVISED STATUTES.....	36
ACT OF JULY 12, 1882, ENABLING BANKING ASS'NS TO RENEW CHARTERS....	43
APPENDIX—SUMMARY DATA AS TO EACH COIN	45
ALPHABETICAL INDEX	47

*Matter in [] indicates condensation or summary of the more voluminous phrasing of the original law.
†In each case the laws here noted are only the more important of the far greater number included within.

I.—LAWS RELATING TO COINAGE.

Constitution of the United States—Article 1, Section 8, Paragraph 5.

The Congress shall have power * * * to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures.

Article 1, Section 10, Paragraph 1.

No state shall * * * coin money, emit bills of credit, make anything but gold and silver coin a tender in payment of debts. * * *

Act of April 2, 1792—Establishing a Mint and Regulating the Coins of the United States.

SECTION 1. *Be it enacted, etc.*, That a Mint for the purpose of a national coinage be and the same is established; to be situate and carried on at the seat of the Government of the United States, for the time being: And that for the well conducting of the business of the said Mint, there shall be the following officers and persons, namely,—a Director, an assayer, a chief coiner, an engraver, a treasurer.

[SECS. 2, 3, 4, 5, 6 and 7 relate to the duties of the several mint officers, their oaths, bonds, salaries and accounts.]

SEC. 8. *And be it further enacted*, That in addition to the authority vested in the President of the United States by a resolution of the last session, touching the engagement of artists and the procuring of apparatus for the said Mint, the President be authorized, and he is hereby authorized, to cause to be provided and put in proper condition such buildings, and in such manner as shall appear to him requisite for the purpose of carrying on the business of the said Mint; and that as well the expenses which shall have been incurred pursuant to the said resolution as those which may be incurred in providing and preparing the said buildings, and all other expenses which may hereafter accrue for the maintenance and support of the said Mint, and in carrying on the business thereof, over and above the sums which may be received by reason of the rate per centum for coinage hereinafter mentioned, shall be defrayed from the Treasury of the United States, out of any monies which from time to time shall be therein, not otherwise appropriated.

SEC. 9. *And be it further enacted*, That there shall be from time to time struck and coined at the said mint coins of gold, silver and copper of the following denominations, values and descriptions, viz.: Eagles—each to be of the value of ten dollars or units, and to contain two hundred and forty-seven grains and four-eighths of a grain of pure, or two hundred and seventy grains of standard gold. Half eagles—each to be of the value of five dollars, and to contain one hundred and twenty-three grains and six-eighths of a grain of pure, or one hundred and thirty-five grains of standard gold. Quarter Eagles—each to be of the value of two dollars and a half dollar, and to contain sixty-one grains and seven-eighths of a grain of pure, or sixty-seven grains and four-eighths of a grain of standard gold. Dollars or units—each to be of the value of a Spanish milled dollar as the same is now current, and to contain three hundred and seventy-one grains and four-sixteenth parts of a grain of pure, or four hundred and sixteen grains of standard silver. Half Dollars—each to be of half the value of the dollar or unit, and to contain one hundred and eighty-five grains and ten-sixteenth parts of a grain of pure, or two hundred and eight grains of standard silver. Quarter Dollars—each to be of one-fourth the value of the dollar or unit, and to contain ninety-two grains and thirteen-sixteenth parts of a grain of pure, or one hundred and four grains of standard silver. Dimes—each to be of the value of one-tenth of a dollar or unit, and to contain thirty-seven grains and two-sixteenth parts of a grain of pure, or forty-one grains and three-fifth parts of a grain of standard silver. Half Dimes—each to be of the value of one-twentieth of a dollar, and to contain eighteen grains and nine-sixteenth parts of a grain of pure, or twenty grains and four-fifth parts of a grain of standard silver. Cents—each to be of the value of the one-hundredth part of a dollar, and to contain eleven pennyweights of copper.¹ Half Cents—each to be of the value of half a cent, and to contain five pennyweights and half a pennyweight of copper.

SEC. 10. *And be it further enacted*, That, upon the said coins respectively, there shall be the following devices and legends, namely: Upon one side of each of the said coins there shall be an impression emblematic of liberty, with an inscription of the word Liberty, and the year of the coinage; and upon the reverse of each of the gold and silver coins there shall be the figure or representation of an eagle, with this inscription, "UNITED STATES OF AMERICA," and upon the reverse of each of the copper coins there shall be an inscription which shall express the denomination of the piece, namely, cent or half-cent, as the case may require.

SEC. 11. *And be it further enacted*, That the proportional value of gold to silver in all coins which shall by law be current as money within the United States, shall be as fifteen to one,² according to quantity in weight, of pure gold or pure silver; that is to say, every fifteen pounds weight of pure silver shall be of equal value in all payments, with one pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective metals.

¹ Weight changed by Act of January 14, 1793, and March 3, 1795, sec. 8.

² For change of standard—See Act of June 28, 1834, and Act January 18, 1837, secs. 8 and 16.

SEC. 12. *And be it further enacted*, That the standard for all gold coins of the United States shall be eleven parts fine to one part alloy; and accordingly that eleven parts in twelve of the entire weight of each of the said coins shall consist of pure gold,³ and the remaining one-twelfth part of alloy; and the said alloy shall be composed of silver and copper, in such proportions not exceeding one-half silver as shall be found convenient; to be regulated by the director of the mint, for the time being with the approbation of the President of the United States, until further provision shall be made by law. And, to the end that the necessary information may be had in order to the making of such further provision, it shall be the duty of the director of the mint at the expiration of a year after commencing the operations of the said mint to report to Congress the practice thereof during the said year, touching the composition of the alloy of the said gold coins, the reasons for such practice, and the experiments and observation which shall have been made concerning the effects of different proportions of silver and copper in the said alloy.

SEC. 13. *And be it further enacted*, That the standard of all silver coins of the United States shall be one thousand four hundred and eighty-five parts fine to one hundred and seventy-nine parts alloy; and accordingly that one thousand four hundred and eighty-five parts in one thousand six hundred and sixty-four parts of the entire weight of each of the said coins shall consist of pure silver, and the remaining one hundred and seventy-nine parts of alloy; which alloy shall be wholly of copper.⁴

SEC. 14. *And be it further enacted*, That it shall be lawful for any person or persons to bring to the said mint gold and silver bullion, in order to their being coined; and that the bullion so brought shall be there assayed and coined as speedily as may be after the receipt thereof, and that free of expense to the person or persons by whom the same shall have been brought.⁵ And as soon as the said bullion shall have been coined, the person or persons by whom the same shall have been delivered shall, upon demand, receive in lieu thereof coins of the same species of bullion which shall have been so delivered, weight for weight, of the pure gold or pure silver therein contained; *Provided nevertheless*, That it shall be at the mutual option of the party or parties bringing such bullion, and of the direction of the said mint, to make an immediate exchange of coins for standard bullion, with a deduction of one-half per cent. from the weight of the pure gold or pure silver contained in the said bullion, as an indemnification to the mint for the time which will necessarily be required for coining the said bullion, and for the advance which shall have been so made in coins. And it shall be the duty of the Secretary of the Treasury to furnish the said mint from time to time whenever the state of the Treasury will admit thereof, with such sums as may be necessary for effecting the said exchanges, to be replaced as speedily as may be out of the coins which shall have been made of the bullion for which the monies so furnished shall have been exchanged; and the said deduction of one-half per cent. shall constitute a fund towards defraying the expenses of the said mint.

SEC. 15. *And be it further enacted*, That the bullion which shall be brought as aforesaid to the mint to be coined, shall be coined, and the equivalent thereof in coins rendered, if demanded, in the order in which the said bullion shall have been brought or delivered, giving priority according to priority of delivery only, and without preference to any person or persons; and if any preference shall be given contrary to the direction aforesaid, the officer by whom such undue preference shall be given, shall in each case forfeit and pay one thousand dollars; to be recovered with costs of suit. And to the end that it may be known if such preference shall at any time be given, the assayer or officer to whom the said bullion shall be delivered to be coined, shall give to the person or persons bringing the same, a memorandum in writing under his hand, denoting the weight, fineness and value thereof, together with the day and order of its delivery into the mint.

SEC. 16. *And be it further enacted*, That all the gold and silver coins which have been struck at, and issued from the said mint, shall be a lawful tender in all payments whatsoever, those of full weight according to the respective values herein before declared, and those of less than full weight at values proportional to their respective weights.

SEC. 17. *And be it further enacted*, That it shall be the duty of the respective officers of the said mint, carefully and faithfully to use their best endeavors that all the gold and silver coins which shall be struck at the said mint shall be, as nearly as may be, conformable to the several standards and weights aforesaid, and that the copper whereof the cents and half cents aforesaid may be composed, shall be of good quality.

SEC. 18. And the better to secure a due conformity of the said gold and silver coins to their respective standards, *Be it further enacted*, That from every separate mass of standard gold or silver, which shall be made into coins at the said Mint, there shall be taken, set apart by the Treasurer and reserved in his custody a certain number of pieces, not less than three, and that once in every year the pieces so set apart and reserved, shall be assayed under the inspection of the Chief Justice of the United States, the Secretary and Comptroller of the Treasury, the Secretary for the Department of State,

³ See Act of January 18, 1837, sec. 8.

⁴ See Act of Jan. 18, 1837, sec. 8.

⁵ The retention of sufficient bullion to cover expenses of refining directed by act of March 3, 1795, sec. 5; act of May 27, 1796; April 24, 1800.

and the Attorney General of the United States (who are hereby required to attend for that purpose at the said Mint, on the last Monday in July in each year), or under the inspection of any three of them, in such manner as they or a majority of them shall direct, and in the presence of the Director, assayer and chief coiner of the said Mint; and if it shall be found that the gold and silver so assayed, shall not be inferior to their respective standards herein before declared more than one part in one hundred and forty-four parts, the officer or officers of the said Mint whom it may concern shall be held excusable: but if any greater inferiority shall appear, it shall be certified to the President of the United States, and the said officer or officers shall be deemed disqualified to hold their respective offices.

SEC. 19. *And be it further enacted*, That if any of the gold or silver coins which shall be struck or coined at the said Mint shall be debased or made worse as to the proportion of fine gold or fine silver therein contained, or shall be of less weight or value than the same ought to be pursuant to the directions of this act, through the default or with the connivance of any of the officers or persons who shall be employed at the said Mint, for the purpose of profit or gain, or otherwise with a fraudulent intent, and if any of the said officers or persons shall embezzle any of the metals which shall at any time be committed to their charge for the purpose of being coined, or any of the coins which shall be struck or coined at the said Mint, every such officer or person who shall commit any or either of the said offenses, shall be deemed guilty of felony, and shall suffer death.

SEC. 20. *And be it further enacted*, That the money of account of the United States shall be expressed in dollars or units, dimes or tenths, cents or hundredths, and milles or thousandths, a dime being a tenth part of a dollar, a cent the hundredth part of a dollar, a mille the thousandth part of a dollar, and that all accounts in public offices and all proceedings in the courts of the United States shall be kept and had in conformity to this regulation.

Act of May 8, 1792—To provide for a copper coinage.

[Provides for the coinage of copper cents and half cents, pursuant to the Act of April 2, 1892; and imposes a penalty for offering to pass other copper coins.]

Act of January 14, 1793—An act regulating the coinage of copper.

Be it enacted, etc., That every cent shall contain two hundred and eight grains of copper, and every half cent shall contain one hundred and four grains of copper; and that so much of the act entitled "An act establishing a mint, and regulating the coins of the United States," as respects the weights of cents and half cents, shall be, and the same is hereby repealed.

Act of February 9, 1793¹—An act regulating foreign coins, making them a legal tender, and establishing their value, etc.

SECTION 1. *Be it enacted, etc.*, That from and after the first day of July next, foreign gold and silver coins shall pass current as money within the United States, and be a legal tender for the payment of all debts and demands, at the several and respective rates following, and not otherwise, viz: The gold coins of Great Britain and Portugal, of their present standard, at the rate of one hundred cents for every twenty-seven grains of the actual weight thereof; the gold coins of France, Spain and the dominions of Spain, of their present standard, at the rate of one hundred cents for every twenty-seven grains and two-fifths of a grain, of the actual weight thereof. Spanish milled dollars, at the rate of one hundred cents for each dollar, the actual weight whereof shall not be less than seventeen pennyweights and seven grains; and in proportion for the parts of a dollar. Crowns of France, at the rate of one hundred and ten cents for each crown, the actual weight whereof shall not be less than eighteen pennyweight and seventeen grains, and in proportion for the parts of a crown. But no foreign coin that may have been, or shall be issued subsequently to the first day of January, 1792, shall be a tender, as aforesaid, until samples thereof shall have been found, by assay, at the Mint of the United States, to be conformable to the respective standards required, and proclamation thereof shall have been made by the President of the United States.

¹The subsequent legislation upon this subject is as follows:

Act of February 1, 1798—Suspends section 2 of above act, and continues for three years from January 1, 1798, and until the end of the next session of Congress thereafter, the legal tender quality of foreign gold and silver coins at the same rates as per section 1 of the act of February 9, 1793.

Act of April 30, 1802—Further suspends section 2 of the act of February 9, 1793. Foreign coins continued as legal tender for three years.

Act of April 10, 1806—Foreign gold and silver coins to be current and a legal tender in the United States for three years at same rates as by act of February 9, 1793.

Act of April 29, 1816—Restores legal tender character of foreign coins for three years, at the following rates: Gold coins of Great Britain and Portugal, 100 cents for every 27 grains, or 88 $\frac{2}{3}$ cents per pennyweight; gold coins of France, 100 cents for every 27 $\frac{1}{2}$ grains, or 87 $\frac{1}{2}$ cents per pennyweight; gold coins of Spain, 100 cents for every 28 $\frac{1}{2}$ grains, or 84 cents per pennyweight; silver crowns of France, 117.6 cents per ounce, or 110 cents for each crown weighing 18 pennyweights 17 grains; 5-franc pieces, 116 cents per ounce, or 93 3 cents for each 5-franc piece weighing 16 pennyweights 2 grains.

Act of March 3, 1819—Continues in force the legal tender value in the United States of foreign gold coins at the rates of April 29, 1816, until November 1, 1819; "and from and after that day foreign gold coins shall cease to be a tender in the United States for the payment of debts or demands." Part of act of April 29, 1816, relating to silver coins, continued in force until April 29, 1821.

Act of March 3, 1821—Crowns and 5-franc pieces of France continued as legal tender until April 29, 1823.

Act of March 3, 1823—Continues for two years longer the legal tender character of crowns and 5-franc pieces of France.

SEC. 2. *Provided always, and be it further enacted*, That at the expiration of three years next ensuing the time when the coinage of gold and silver, agreeably to the act entitled "An act establishing a Mint, and regulating the coins of the United States," shall commence at the mint of the United States, (which time shall be announced by the proclamation of the President of the United States,) all foreign gold coins and all foreign silver coins, except Spanish milled dollars and parts of such dollars, shall cease to be a legal tender, as aforesaid.

SEC. 3. *And be it further enacted*, That all foreign gold and silver coins (except Spanish milled dollars, and parts of such dollars), which shall be received in payment for monies due to the United States, after the said time, when the coining of gold and silver coins shall begin at the Mint of the United States, shall, previously to their being issued in circulation, be coined anew, in conformity to the act entitled "An act establishing a Mint and regulating the coins of the United States."

[SEC. 4. Provides that from and after July 1, 1793, foreign gold and silver coins shall be received for dues and fees at rates herein established.]

[SEC. 5. Fixes the time for making annual assays.]

Act of March 3, 1795—An act providing for the Mint and regulating the coins of the United States.

[SECTIONS 1, 2, 3 and 4. Provide for additional officers of the Mint, prescribe their duties, define their compensation, etc.].

SEC. 5. *And be it further enacted*, That the treasurer of the mint shall, and he is hereby directed, to retain two cents per ounce from every deposit of silver bullion below the standard of the United States, which hereafter shall be made for the purpose of refining and coining; and four cents per ounce from every deposit of gold bullion made as aforesaid, below the standard of the United States, unless the same shall be so far below the standard as to require the operation of the test, in which case, the treasurer shall retain six cents per ounce, which sum so retained shall be accounted for by the said treasurer with the treasury of the United States, as a compensation for melting and refining the same.

SEC. 6. *And be it further enacted*, That the treasurer of the mint shall not be obliged to receive from any person, for the purpose of refining and coining, any deposit of silver bullion, below the standard of the United States, in a smaller quantity than two hundred ounces; nor a like deposit of gold bullion below the said standard, in a smaller quantity than twenty ounces.

SEC. 7. *And be it further enacted*, That from and after the passing of this act, it shall and may be lawful for the officers of the mint to give a preference to silver or gold bullion, deposited for coinage, which shall be of the standard of the United States, so far as respects the coining of the same, although bullion below the standard, and not yet refined, may have been deposited for coinage, previous thereto, any law to the contrary notwithstanding; *Provided*, That nothing herein shall justify the officers of the mint, or any one of them, in unnecessarily delaying the refining any silver or gold bullion below the standard, that may be deposited, as aforesaid.

SEC. 8. *And be it further enacted*, That the President of the United States be, and he is hereby authorized, whenever he shall think it for the benefit of the United States, to reduce the weight of the copper coin of the United States; *Provided*, such reduction shall not, in the whole, exceed two pennyweights in each cent, and in a like proportion in a half cent; of which he shall give notice by proclamation,* and communicate the same to the then next Congress.

SEC. 9. *And be it further enacted*, That it shall be the duty of the treasurer of the United States, from time to time, as often as he shall receive copper cents and half cents from the treasurer of the mint, to send them to the bank or branch banks of the United States, in each of the states where such bank is established; and where there is no bank established, then to the collector of the principal town in such state (in the proportion of the number of inhabitants of such state) to be by such bank or collector, paid out to the citizens of the state for cash, in sums not less than ten dollars value; and that the same

Act of March 3, 1823—Gold coins of Great Britain, Portugal, France and Spain to be received in payment of lands bought by the United States at the rates given in the Act of April 29, 1816, but not made legal tender.

Act of June 25, 1834—Certain silver coins to be of the legal value and pass by tale, the dollars of Mexico, Peru, Chili and Central America, of not less weight than 415 grains, and re-stamped dollars of Brazil of like weight, fineness, not less than 10 ounces 15 pennyweights of pure silver in Troy pound of 12 ounces of standard silver, at 100 cents each; the 5-franc piece of France, weighing not less than 384 grains, at 93 cents.

Act of June 28, 1834—Regulates the legal tender value of certain gold coins, as follows: Great Britain, Portugal and Brazil, of not less than 22 carats fine, at 94.8 cents per pennyweight; those of France, $\frac{17}{16}$ fine, 93.1 cents per pennyweight, and those of Spain, Mexico and Colombia, of 20 carats $3\frac{7}{16}$ grains fine, at 89.9 cents per pennyweight.

Act of March 3, 1843—Foreign gold coins to pass current "and be receivable, by weight, for the payments of all debts and demands" at the following rates: Those of Great Britain, not less than .915 fine, 94.6 cents per pennyweight; those of France, of not less than .89 fine, at 92.9 cents per pennyweight.

Silver coins at the following rates: Spanish pillar dollars and dollars of Mexico, Spain, Peru, Bolivia, not less than .897 fine and 415 grains in weight, at 100 cents each; 5-franc pieces of France, not less than .900 fine and 384 grains in weight, at 93 cents each.

Act of February 21, 1857—Spanish and Mexican coins, known as the quarter, eighth and sixteenth of the Spanish pillar dollar, and Mexican dollar, to be received by the United States, as follows: $\frac{1}{4}$ of a dollar, or 2 reals, at 20 cents; $\frac{1}{8}$ of a dollar, or 1 real, at 10 cents; $\frac{1}{16}$ of a dollar, or $\frac{1}{2}$ real, at 5 cents. Said coins to be received when received. Former acts making foreign coins a legal tender repealed.

* Weight changed by proclamation of President, January 26, 1796.

be done at the risk and expense of the United States, under such regulations as shall be prescribed by the department of the treasury.

Act of April 21, 1806—An act for the punishment of counterfeiting, etc.

[Provides penalties for counterfeiting coins of the United States, or those of foreign countries made current in the United States; for importing false or counterfeit coins; and for impairing, falsifying, etc., the coins of the United States. Continues jurisdiction of individual States over offenses made punishable by this act.]

Act of June 28, 1834—Concerning gold coins of the United States, and for other purposes.

Be it enacted etc., That the gold coins of the United States shall contain the following quantities of metal, that is to say; each eagle shall contain two hundred and thirty-two grains of pure gold, and two hundred and fifty-eight grains of standard gold; each half eagle one hundred and sixteen grains of pure gold, and one hundred and twenty-nine grains of standard gold; each quarter eagle shall contain fifty-eight grains of pure gold, and sixty-four and a half grains of standard gold; every such eagle shall be of the value of ten dollars; every such half eagle shall be of the value of five dollars; and every such quarter eagle shall be of the value of two dollars and fifty cents; and the said gold coins shall be receivable in all payments when of full weight according to their respective values; and when of less than full weight, at less values, proportioned to their respective actual weights.

SEC. 2. *And be it further enacted*, That all standard gold or silver deposited for coinage after the thirty-first of July next, shall be paid for in coin under the direction of the Secretary of the Treasury, within five days from the making of such deposit, deducting from the amount of said deposit of gold and silver one-half of one per centum; *Provided*, That no deduction shall be made unless said advance be required by such depositor within forty days.

SEC. 3. *And be it further enacted*, That all gold coins of the United States minted anterior to the thirty-first day of July next, shall be receivable in all payments at the rate of ninety-four and eight-tenths of a cent per pennyweight.

[SEC. 4. Directs the setting apart of gold coins for assay as provided in the Act of April 2, 1792, by the Treasurer of the Mint, and makes a maximum limit of inferiority of standards to exceed which would result in disqualification of Mint officers to hold office; and further provides that if, in making any delivery of coin at the Mint in payment of a deposit, the weight thereof shall be found defective, the officer concerned shall be responsible to the owner for the full weight, if claimed at the time of delivery.]

Act of January 18, 1837—Further in regard to the establishment of a mint and regulation of coins of the United States.

Be it enacted, etc., That the officers of the Mint of the United States shall be a Director, a treasurer, an assayer, a melter and refiner, a chief coiner and an engraver, to be appointed by the President of the United States, by and with the advice and consent of the Senate.

[SECS. 2-7, inclusive, relate to the organization of the Mint, duties of officers, bonds, salaries, etc.]

SEC. 8. *And be it further enacted*, That the standard for both gold and silver coins of the United States shall hereafter be such, that of one thousand parts by weight, nine hundred shall be of pure metal, and one hundred of alloy; and the alloy of the silver coins shall be of copper; and the alloy of the gold coins shall be of copper and silver, provided that the silver do not exceed one-half of the whole alloy.

SEC. 9. *And be it further enacted*, That of the silver coins, the dollar shall be of the weight of four hundred and twelve and one-half grains; the half dollar of the weight of two hundred and six and one-fourth grains; the quarter dollar of the weight of one hundred and three and one eighth grains; the dime, or tenth part of a dollar, of the weight of forty-one and a quarter grains; and the half dime, or twentieth part of a dollar, of the weight of twenty grains and five-eighths of a grain. And that dollars, half dollars and quarter dollars, dimes and half dimes, shall be legal tenders of payment, according to their nominal value, for any sums whatever.

SEC. 10. *And be it further enacted*, That of the gold coins, the weight of the eagle shall be two hundred and fifty-eight grains; that of the half eagle one hundred and twenty-nine grains; and that of the quarter eagle sixty-four and one-half grains. And that for all sums whatever, the eagle shall be a legal tender of payment for ten dollars; the half eagle for five dollars, and the quarter eagle for two and a half dollars.

SEC. 11. *And be it further enacted*, That the silver coins heretofore issued at the Mint of the United States, and the gold coins issued since the 31st day of July, 1834, shall continue to be legal tenders of payment for their nominal values, on the same terms as if they were of the coinage provided for by this act.

SEC. 12. *And be it further enacted*, That of the copper coins, the weight of the cent shall be one hundred and sixty eight grains, and the weight of the half cent eighty-four grains. And the cent shall be considered of the value of one-hundredth part of a dollar, and the half cent of the value of one two-hundredth part of a dollar.

SEC. 13. *And be it further enacted*, That upon the coins struck at the Mint there shall be the following devices and legends: Upon one side of each of said coins there shall be an impression emblematic of liberty, with an inscription of the word Liberty,

and the year of the coinage ; and upon the reverse of each of the gold and silver coins, there shall be the figure or representation of an eagle, with the inscription United States of America, and a designation of the value of the coin ; but on the reverse of the dime and half dime, cent and half cent, the figure of the eagle shall be omitted.

SEC. 14. *And be it further enacted*, That gold and silver bullion brought to the Mint for coinage, shall be received and coined, by the proper officers, for the benefit of the depositor : *Provided*, that it shall be lawful to refuse, at the Mint, any deposits of less value than one hundred dollars, and any bullion so base as to be unsuitable for the operation of the Mint ; *And provided also*, That when gold and silver are combined, if either of these metals be in such small proportion that it cannot be separated advantageously, no allowance shall be made to the depositor for the value of such metal.

SEC. 15. *And be it further enacted*, That when bullion is brought to the Mint for coinage, it shall be weighed by the Treasurer, in the presence of the depositor, when practicable, and a receipt given which shall state the description and weight of the bullion : *Provided*, that when the bullion is in such a state as to require melting before its value can be ascertained, the weight after melting shall be considered as the true weight of the bullion deposited.

SEC. 16. *And be it further enacted*, That from every parcel of bullion deposited for coinage, the Treasurer shall deliver to the Assayer a sufficient portion for the purpose of being assayed ; but all such bullion remaining from the operations of the assay shall be returned to the Treasurer by the Assayer.

SEC. 17. *And be it further enacted*, That the Assayer shall report to the Treasurer the quality or standard of the bullion assayed by him ; and he shall also communicate to the Treasurer such information as will enable him to estimate the amount of the charges hereinafter provided for, to be made to the depositor, for the expenses of converting the bullion into standard metal fit for coinage.

SEC. 18. *And be it further enacted*, That the only subjects of charge by the Mint to the depositor shall be the following : For refining when the bullion is below standard ; for toughening when metals are contained in it which render it unfit for coinage ; for copper used for alloy when the bullion is above standard ; for silver introduced into the alloy of gold ; and for separating the gold and silver when these metals exist together in the bullion ; and that the rate of these charges shall be fixed, from time to time, by the Director, with the concurrence of the Secretary of the Treasury, so as not to exceed, in their judgment, the actual expense to the Mint of the materials and labor employed in each of the cases aforementioned ; and that the amount received from these charges shall be accounted for, and appropriated for defraying the contingent expenses of the Mint.

SEC. 19. *And be it further enacted*, That from the report of the assayer, and the weight of the bullion, the treasurer shall estimate the whole value of each deposit, and also the amount of the charges or deductions, if any ; of all which he shall give a detailed memorandum to the depositor ; and he shall also give, at the same time, under his hand, a certificate of the net amount of the deposit, to be paid in coins of the same species of bullion as that deposited.

[SECS. 20-24. Provide for methods of transfers of bullion, accounts, etc., within the Mint, and limitation of deviation from legal standard of ingots used.]

SEC. 25. *And be it further enacted*, That in adjusting the weights of the coins, the following deviation from the standard weight shall not be exceeded in any of the single pieces : In the dollar and half dollar, one grain and a half ; in the quarter dollar, one grain ; in the dime and half dime, half a grain ; in the gold coins, one quarter of a grain ; in the copper coins, one grain in the pennyweight ; and that in weighing a large number of pieces together, when delivered from the Chief coiner to the treasurer, and from the treasurer to the depositors, the deviations from the standard weights shall not exceed the following limits : Four pennyweights in one thousand dollars ; three pennyweights in one thousand half dollars ; two pennyweights in one thousand quarter dollars ; one pennyweight in one thousand dimes ; one pennyweight in one thousand half dimes ; two pennyweights in one thousand eagles ; one and a half pennyweights in one thousand half eagles ; one pennyweight in one thousand quarter eagles.

[SECS. 26-29. Provide for the weighing and reservation for annual test of coins, disposition of clippings, treasurer's account with Chief coiner, allowance for waste, etc.]

SEC. 30. *And be it further enacted*, That when the coins which are equivalent to any deposit of bullion are ready for delivery, they shall be paid over to the depositor, or his order, by the Treasurer, on a warrant from the Director ; and that the payment shall be made, if demanded, in the order in which the bullion shall have been brought to the Mint, giving priority according to priority of deposit only ; and that in the denominations of coin delivered, the Treasurer shall comply with the wishes of the depositor, unless when impracticable or inconvenient to do so ; in which case, the denominations of coin shall be designated by the Director.

SEC. 31. *And be it further enacted*, That for the purpose of enabling the Mint to make returns to depositors with as little delay as possible, it shall be the duty of the Secretary of the Treasury to keep in the said Mint, when the state of the Treasury will admit thereof, a deposit of such amount of public money, or of bullion procured for the purpose, as he shall judge convenient and necessary, not exceeding one million of dollars, out of which those who bring bullion to the Mint may be paid the value thereof, as soon

as practicable after this value has been ascertained ; that the bullion so deposited shall become the property of the United States ; that no discount or interest shall be charged on moneys so advanced ; and that the Secretary of the Treasury may at any time withdraw the said deposit, or any part thereof, or may, at his discretion, allow the coins formed at the Mint to be given for their equivalent in other money.

SEC. 32. *And be it further enacted*, That to secure a due conformity in the gold and silver coins to their respective standards and weights, an annual trial shall be made of the pieces reserved for this purpose at the Mint and its branches, before the judge of the district court of the United States, for the eastern district of Pennsylvania, the attorney of the United States for the eastern district of Pennsylvania, and the collector of the port of Philadelphia, and such other persons as the President shall, from time to time, designate for that purpose, who shall meet as commissioners, for the performance of this duty, on the second Monday in February, annually, and may continue their meetings by adjournment, if necessary ; and if a majority of the commissioners shall fail to attend at any time appointed for their meeting, then the Director of the Mint shall call a meeting of the commissioners at such other time as he may deem convenient ; and that before these commissioners, or a majority of them, and in the presence of the officers of the Mint, such examination shall be made of the reserved pieces as shall be judged sufficient ; and if it shall appear that these pieces do not differ from the standard fineness and weight by a greater quantity than is allowed by law, the trial shall be considered and reported as satisfactory ; but if any greater deviation from the legal standard or weight shall appear, this fact shall be certified to the President of the United States, and if, on a view of the circumstances of the case, he shall so decide, the officer or officers implicated in the error shall be thenceforward disqualified from holding their respective offices.

SEC. 33. *And be it further enacted*, That copper bullion shall be purchased for the Mint, from time to time, by the Treasurer, under instructions from the Director ; that the cost shall be paid from the fund hereinafter provided for ; and that the copper bullion shall be of good quality, and in form of planchets fit for passing at once into the hands of the chief coiner.

SEC. 34. *And be it further enacted*, That the copper planchets shall be delivered, from time to time, by the treasurer to the chief coiner, to be by him coined ; and all such copper shall be returned to the Treasurer, by the chief coiner, weight for weight, without allowance for waste.

SEC. 35. *And be it further enacted*, That it shall be the duty of the Treasurer of the Mint to deliver the copper coins, in exchange for their legal equivalent in other money, to any persons who shall apply for them : *Provided*, That the sum asked for be not less than a certain amount, to be determined by the Director, and that it be not so great as, in his judgment, to interfere with the capacity of the Mint to supply other applicants.

SEC. 36. *And be it further enacted*, That the copper coins may, at the discretion of the Director, be delivered in any of the principal cities and towns of the United States, at the cost of the Mint for transportation.

SEC. 37. *And be it further enacted*, That the money received by the Treasurer in exchange for copper coins shall form a fund in his hands, which shall be used to purchase copper planchets, and to pay the expense of transportation of copper coins ; and that if there be a surplus, the same shall be appropriated to defray the contingent expenses of the Mint.

SEC. 38. *And be it further enacted*, That all acts or parts of acts heretofore passed, relating to the Mint and coins of the United States which are inconsistent with the provisions of this act be, and the same are hereby repealed.

Act of March 3, 1849—Authorizing the coinage of gold dollars and double eagles.

Be it enacted, etc., That there shall be, from time to time, struck and coined at the Mint of the United States and the branches thereof, conformably in all respects to law (except that on the reverse of the gold dollar the figure of the eagle shall be omitted), and conformably in all respects to the standard for gold coins now established by law, coins of gold of the following denomination and values, viz : double eagles, each to be of the value of twenty dollars, or units, and gold dollars, each to be of the value of one dollar, or unit.

SEC. 2. *And be it further enacted*, That for all sums whatever, the double eagle shall be a legal tender for twenty dollars and the gold dollar shall be a legal tender for one dollar.

SEC. 3. *And be it further enacted*, That all laws now in force in relation to the coins of the United States, and the striking and coining the same, shall, so far as applicable, have full force and effect in relation to the coins herein authorized, whether the said laws are penal or otherwise ; and whether they are for preventing counterfeiting or abasement, for protecting the currency, for regulating and guarding the process of striking and coining, and the preparations therefor, or for the security of the coin, or for any other purpose.

SEC. 4. *And be it further enacted*, That, in adjusting the weights of gold coin henceforth, the following deviations from the standard weight shall not be exceeded in any of the single pieces—namely, in the double eagle, the eagle, and the half-eagle one-half of a grain, and in the quarter eagle and gold dollar, one quarter of a grain ; and that in weighing a large number of pieces together, when delivered from the chief coiner to

the Treasurer and from the Treasurer to the depositors, the deviation from the standard weight shall not exceed three pennyweights in one thousand double eagles; two pennyweights in one thousand eagles; one and one-half pennyweights in one thousand half eagles; one pennyweight in one thousand quarter eagles; and one-half of a pennyweight in one thousand gold dollars.

Act of March 3, 1851—Provisions in regard to coinage, etc., contained in an act to reduce and modify the rates of postage in the United States and for other purposes.

* * * * *

SEC. 11. *And be it further enacted*, That from and after the passage of this act, it shall be lawful to coin at the Mint of the United States and its branches, a piece of the denomination and legal value of three cents, or three-hundredths of a dollar, to be composed of three-fourths silver and one-fourth copper, and to weigh twelve grains and three-eighths of a grain¹; that the said coin shall bear such devices as shall be conspicuously different from those of the other silver coins and of the gold dollar, but having the inscription "United States of America," and its denomination and date; and that it shall be a legal tender in payment of debts for all sums of thirty cents and under. And that no ingots shall be used for the coinage of the three-cent pieces herein authorized of which the quality differs more than five-thousandths from the legal standard; and that, in adjusting the weight of the said coin, the following deviations from the standard weight shall not be exceeded, namely, one-half of a grain in the single piece, and one pennyweight in a thousand pieces.

Act of February 21, 1853—An act amendatory of existing laws relative to the half dollar, quarter dollar, dime and half dime.

Be it enacted, etc., That from and after the first day of June, 1852 [1853], the weight of the half dollar or piece of fifty cents shall be one hundred and ninety-two grains, and the quarter dollar, dime and half dime, shall be, respectively, one-half, one-fifth, and one-tenth of the weight of said half dollar.

SEC. 2. *And be it further enacted*, That the silver coins issued in conformity with the above section, shall be legal tenders in payment of debts for all sums not exceeding five dollars.

SEC. 3. *And be it further enacted*, That in order to procure bullion for the requisite coinage of the subdivisions of the dollar authorized by this act, the Treasurer of the Mint shall, with the approval of the Director, purchase such bullion with the bullion fund of the Mint. He shall charge himself with the gain arising from the coinage of such bullion into coins of a nominal value exceeding the intrinsic value thereof, and shall be credited with the difference between such intrinsic value and the price paid for such bullion, and with the expense of distributing said coins as hereinafter provided. The balances to his credit, or the profit of said coinage, shall be, from time to time, on a warrant of the Director of the Mint, transferred to the account of the Treasury of the United States.

SEC. 4. *And be it further enacted*, That such coins shall be paid out at the Mint, in exchange for gold coins at par, in sums not less than one hundred dollars; and it shall be lawful, also, to transmit parcels of the same from time to time to the assistant treasurers, depositaries, and other officers of the United States, under general regulations, proposed by the Director of the Mint, and approved by the Secretary of the Treasury: *Provided, however*, That the amount coined into quarter dollars, dimes and half dimes, shall be regulated by the Secretary of the Treasury.

SEC. 5. *And be it further enacted*, That no deposits for coinage into the half dollar, quarter dollar, dime, and half dime, shall hereafter be received, other than those made by the Treasurer of the Mint, as herein authorized, and upon account of the United States.

SEC. 6. *And be it further enacted*, That, at the option of the depositor, gold or silver may be cast into bars or ingots of either pure metal or of standard fineness, as the owner may prefer, with a stamp upon the same designating its weight and fineness; but no piece of either gold or silver shall be cast into bars or ingots of a less weight than ten ounces, except pieces of one ounce, of two ounces, of three ounces, and of five ounces, all of which pieces of less weight than ten ounces shall be of the standard fineness, with their weight and fineness stamped upon them; but, in [all] cases, whether the gold and silver deposited be coined or cast into bars or ingots, there shall be a charge to the depositor, in addition to the charge now made for refining or parting the metals, of one-half of one per centum; the money arising from this charge of one-half per centum shall be charged to the Treasurer of the Mint, and from time to time, on warrant of the Director of the Mint, shall be transferred into the Treasury of the United States: *Provided, however*, That nothing contained in this section shall be considered as applying to the half dollar, quarter dollar, the dime, and half dime.

SEC. 7. *And be it further enacted*, That from time to time there shall be struck and coined at the Mint of the United States and the branches thereof, conformably in all respects to law, and conformably in all respects to the standard of gold coins now established by law, a coin of gold of the value of three dollars, or units, and all the provisions of an act entitled "An act to authorize the coinage of gold dollars and double eagles," approved March 3, 1849, shall be applied to the coin herein authorized, so far

¹ See Act of March 3, 1853, sec. 7, page 10.

as the same may be applicable ; but the devices and shape of the three-dollar piece shall be fixed by the Secretary of the Treasury.

SEC. 8. *And be it further enacted*, That this act shall be in force from and after the first day of June next.

Act of March 3, 1853—Coinage provisions contained in an act to supply deficiencies in the appropriations, for the fiscal year ending June 30, 1853.

[SECTIONS 1 to 6, inclusive, relate to other matters.]

SEC. 7. *And be it further enacted*, That when gold or silver shall be cast into bars or ingots or formed into disks at the Mint of the United States, or any of the branches thereof, or at any assay office of the United States, the charge for refining, casting, or forming said bars, ingots, or disks shall be equal to, but not exceed, the actual cost of the operation, including labor, wastage, use of machinery, materials, etc., to be regulated from time to time by the Secretary of the Treasury. And the Secretary of the Treasury is hereby authorized to regulate the size and devices of the new silver coin, authorized by an act entitled “An act amendatory of existing laws relative to the half-dollar, quarter dollar, dime and half dime,” passed at the present session ; and that to procure such devices, as also the models, moulds and matrices or original dies for the coins, disks, or ingots authorized by said act, the Director of the Mint is empowered, with the approval of the Secretary of the Treasury, to engage temporarily for that purpose the services of one or more artists, distinguished in their respective departments, who shall be paid for such services from the contingent appropriation for the Mint : And that hereafter the three cent coin now authorized by law shall be made of the weight of three-fiftieths of the weight of the half dollar, as provided in said act, and of the same standard of fineness. And the said act, entitled “An act amendatory of existing laws relative to the half dollar, quarter dollar, dime and half dime,” shall take effect and be in full force from and after the 1st day of April, 1853, anything therein to the contrary notwithstanding.

Act of February 21, 1857—An act to determine the legal tender value of foreign coins, and for the coinage of cents at the Mint of the United States.

Be it enacted, etc., That the pieces commonly known as the quarter, eighth, and sixteenth of the Spanish pillar dollar, and of the Mexican dollar, shall be receivable at the Treasury of the United States, and its several offices, and at the several post-offices, and land-offices, at the rates of valuation following—that is to say, the fourth of a dollar, or piece of two reals, at twenty cents ; the eighth of a dollar, or piece of one real, at ten cents ; and the sixteenth of a dollar, or half real, at five cents.

SEC. 2. *And be it further enacted*, That the said coins, when so received, shall not again be paid out, or put in circulation, but shall be recoinced at the Mint. And it shall be the duty of the Director of the Mint, with the approval of the Secretary of the Treasury, to prescribe such regulations as may be necessary and proper, to secure their transmission to the Mint for recoinage, and the return or distribution of the proceeds thereof, when deemed expedient, and to prescribe such forms of account as may be appropriate and applicable to the circumstances : *Provided*, That the expenses incident to such transmission or distribution, and of recoinage, shall be charged against the account of silver profit and loss, and the net profits, if any, shall be paid from time to time into the Treasury of the United States.

SEC. 3. *And be it further enacted*, That all former acts authorizing the currency of foreign gold or silver coins, and declaring the same a legal tender in payment for debts, are hereby repealed ; but it shall be the duty of the Director of the Mint to cause assays to be made, from time to time, of such foreign coins as may be known to our commerce, to determine their average weight, fineness, and value, and to embrace in his annual report a statement of the results thereof.

SEC. 4. *And be it further enacted*, That from and after the passage of this act, the standard weight of the cent coined at the Mint shall be seventy-two grains, or three twentieths of one ounce troy, with no greater deviation than four grains in each piece ; and said cent shall be composed of eighty-eight per centum of copper and twelve per centum of nickel, of such shape and device as may be fixed by the Director of the Mint, with the approbation of the Secretary of the Treasury ; and the coinage of the half cent shall cease.

[SEC. 5. Authorizes the Secretary of the Treasury to purchase from the bullion fund of the Mint materials necessary to the coinage of the cent authorized by the act, and makes the laws in force relating to the Mint and the coinage of precious metals applicable to this coin.]

SEC. 6. *And be it further enacted*, That it shall be lawful to pay out the said cent at the Mint in exchange for any of the gold and silver coins of the United States, and also in exchange for the former copper coins issued ; and it shall be lawful to transmit parcels of the said cents, from time to time, to the assistant treasurers, depositaries, and other officers of the United States, under general regulations proposed by the Director of the Mint, and approved by the Secretary of the Treasury, for exchange as aforesaid. And it shall also be lawful for the space of two years from the passage of this act and no longer, to pay out at the Mint the cents aforesaid for the fractional parts of the dollar hereinbefore named, at their nominal value of twenty-five, twelve-and-a-half, and six-and-a-quarter cents, respectively.

[SEC. 7. Directs that the annual report of the Director of the Mint shall extend to the 30th of June in each year.]

Act of April 22, 1864—Amending the Act of February 21, 1857.

Be it enacted, etc., That, from and after the passage of this act, the standard weight of the cent coined at the mint of the United States shall be forty-eight grains, or one-tenth of one ounce troy; and said cent shall be composed of ninety-five per centum of copper, and five per centum of tin and zinc, in such proportions as shall be determined by the Director of the Mint; and there shall be, from time to time, struck and coined at the mint a two-cent piece, of the same composition, the standard weight of which shall be ninety-six grains, or one-fifth of one ounce troy, with no greater deviation than four grains to each piece of said cent and two-cent coins; and the shape, mottoes, and devices of said coins shall be fixed by the Director of Mint, with the approval of the Secretary of the Treasury; and the laws now in force relating to the coinage of cents and providing for the purchase of material and prescribing the appropriate duties of the officers of the mint and the Secretary of the Treasury be, and the same are hereby, extended to the coinage herein provided for.

SEC. 2. *And be it further enacted,* That all laws now in force relating to the coins of the United States and the striking and coining the same shall, so far as applicable, be extended to the coinage herein authorized, whether said laws are penal or otherwise, for the security of the coin, regulating and guarding the process of striking and coining, for preventing debasement or counterfeiting, or for any other purpose.

SEC. 3. *And be it further enacted,* That the Director of the Mint shall prescribe suitable regulations to insure a due conformity to the required weights and proportions of alloy in the said coins; and shall order trials thereof to be made from time to time by the assayer of the mint, whereof a report shall be made in writing to the Director.

SEC. 4. *And be it further enacted,* That the said coins shall be a legal tender¹ in any payment, the one-cent coin to the amount of ten cents, and the two-cent coin to the amount of twenty cents; and it shall be lawful to pay out said coins in exchange for the lawful currency of the United States (except cents or half-cents issued under former acts of Congress), in suitable sums, by the treasurer of the mint, and by such other depositaries as the Secretary of the Treasury may designate, under general regulations proposed by the Director of the Mint and approved by the Secretary of Treasury; and the expenses incident to such exchange, distribution, and transmission may be paid out of the profits of said coinage: and the net profits of said coinage, ascertained in like manner as is prescribed in the second section of the act to which this is a supplement, shall be transferred to the Treasury of the United States.

SEC. 5. *And be it further enacted,* That if any person or persons shall make, issue, or pass, or cause to be made, issued, or passed, any coin, card, token, or device whatsoever, in metal or its compounds, intended to pass or be passed as money for a one-cent piece or a two-cent piece, such person or persons shall be deemed guilty of a misdemeanor, and shall, on conviction thereof, be punished by a fine not exceeding \$1,000 and by imprisonment for a term not exceeding five years.

Act of March 3, 1865—An act to authorize the coinage of three-cent pieces, and for other purposes.

Be it enacted, etc., That as soon as practicable after the passage of this act, there shall be coined at the Mint of the United States a three-cent piece, composed of copper and nickel in such proportions, not exceeding twenty-five per centum of nickel, as shall be determined by the Director of the Mint, the standard weight of which shall be thirty grains, with no greater deviation than four grains to each piece, and the shape, mottoes, and devices of said coin shall be determined by the Director of the Mint, with the approval of the Secretary of the Treasury. And the laws now in force relating to the coinage of cents, and providing for the purchase of material and prescribing the appropriate duties of the officers of the Mint, and of the Secretary of the Treasury be, and the same are hereby, extended to the coinage herein provided for.

[SEC. 2. Extends to the provisions of this act the laws in operation governing other coins].

SEC. 3. *And be it further enacted,* That the said coin shall be a legal tender in any payment to the amount of sixty cents. And it shall be lawful to pay out said coins in exchange for the lawful currency of the United States, (except cents or half-cents or two-cent pieces issued under former acts of Congress,) in suitable sums by the Treasurer of the Mint, and by such other depositaries as the Secretary of the Treasury may designate, and under general regulations approved by the Secretary of the Treasury. And under the like regulations the same may be exchanged in suitable sums for any lawful currency of the United States; and the expenses incident to such exchange, distribution, and transmission, may be paid out of the profits of said coinage, and the net profits of said coinage, ascertained in like manner as is prescribed in the second section of the act entitled "An act relating to foreign coins, and the coinage of cents at the Mint of the United States," approved February 21st, 1857, shall be transferred to the Treasury of the United States: *Provided,* That from and after the passage of this act, no issues of fractional notes of the United States shall be of a less denomination, than five cents, and all such issues of a less denomination, at that time outstanding, shall, when paid into the Treas-

¹ See Act of Mar. 3, 1865, sec. 6, page 12; sec. 3587, page 17.

ury or any designated depository of the United States, or redeemed or exchanged as now provided by law, be retained and cancelled.

[SEC. 4. Provides penalties for counterfeiting, etc.]

[SEC. 5. Provides for an additional device and legend for this coin.]

SEC. 6. *And be it further enacted*, That the one and two cent coins of the United States shall not be a legal tender for any payment exceeding four cents in amount; and so much of the laws of the United States heretofore enacted as are in conflict with the provisions of this act, are hereby repealed.

Act of May 16, 1866—An act authorizing the coinage of five-cent pieces.

Be it enacted, etc., That so soon as practicable after the passage of this act, there shall be coined at the Mint of the United States a five-cent piece composed of copper and nickel, in such proportions, not exceeding twenty-five per centum of nickel, as shall be determined by the Director of the Mint, the standard weight of which shall be seventy-seven and sixteen hundredths grains, with no greater deviation than two grains to each piece; and the shape, mottoes and devices of said coin shall be determined by the Director of the Mint, with the approval of the Secretary of the Treasury; and the laws now in force relating to the coinage of cents, and providing for the purchase of material, and prescribing the appropriate duties of the officers of the Mint and the Secretary of the Treasury, be, and the same are hereby, extended to the coinage herein provided for.

[SEC. 2. Extends the provisions of existing laws to the coinage herein authorized.]

SEC. 3. *And be it further enacted*, That said coin shall be a legal tender in any payment to the amount of one dollar.¹ And it shall be lawful to pay out such coins in exchange for the lawful currency in the United States (except cents or half cents or two-cent pieces, issued under former acts of Congress), in suitable sums, by the treasurer of the Mint, and by such other depositaries as the Secretary of the Treasury may designate, and under general regulations approved by the Secretary of the Treasury. And under the like regulations the same may be exchanged in suitable sums for any lawful currency of the United States, and the expenses incident to such exchange, distribution, and transmission may be paid out of the profits of said coinage; and the net profits of said coinage, as ascertained in the manner prescribed in the second section of the act entitled "An act relating to foreign coins and the coinage of cents at the Mint of the United States," approved February twenty-first, eighteen hundred and fifty-seven, shall be transferred to the Treasury of the United States: *Provided*, That from and after the passage of this act no issues of fractional notes of the United States shall be of a less denomination than ten cents; and all such issues at that time outstanding shall, when paid into the Treasury or any designated depository of the United States, or redeemed or exchanged as now provided by law, be retained and cancelled.

[SEC. 4. Provides penalties for counterfeiting, etc.]

SEC. 5. *And be it further enacted*, That it shall be lawful for the Treasurer and the several assistant treasurers of the United States to redeem in national currency, under such rules and regulations as may be prescribed by the Secretary of the Treasury, the coin herein authorized to be issued when presented in sums of not less than \$100.

Act of March 3, 1871—An act to provide for the redemption of copper and other token coins.

Be it enacted, etc., That the Secretary of the Treasury is hereby authorized and required to redeem in lawful money, under such rules and regulations as he may from time to time prescribe, all copper, bronze, copper-nickel, and base-metal coinage of every kind heretofore authorized by law, when presented in sums of not less than twenty dollars; and whenever under this authority these coins are presented for redemption in such quantity as to show the amount outstanding to be redundant, the Secretary of the Treasury is authorized to discontinue or diminish the manufacture and issue of such coinage until otherwise ordered by him.

Act of February 12, 1873.*—An act revising and amending the laws relative to the Mint, assay offices, and coinage of the United States.

Be it enacted, etc. * * * * *

SEC. 14. That the gold coins of the United States shall be a one-dollar piece, which, at the standard weight of twenty-five and eight-tenths grains, shall be the unit of value; a quarter-eagle, or two-and-a-half-dollar piece; a three-dollar piece; a half-eagle, or five-dollar piece; an eagle, or ten-dollar piece; and a double-eagle, or twenty-dollar piece. And the standard weight of the gold dollar shall be twenty-five and eight-tenths grains; of the quarter eagle, or two-and-a-half-dollar piece, sixty-four and a half grains; of the three-dollar piece, seventy-seven and four-tenths grains; of the half-eagle, or five-dollar piece, one hundred and twenty-nine grains; of the eagle or ten-dollar piece, two hundred and fifty-eight grains; of the double-eagle, or twenty-dollar piece, five hundred and sixteen grains; which coins shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided in this act for the single piece, and when reduced in weight, below said standard and tolerance, shall be a legal tender at valuation in proportion to their actual weight; and any gold coin of the United States, if reduced in

*NOTE—The act of February 12, 1873, is largely a revision of earlier coinage laws, and contains 76 sections. As it is included in the revision of 1874, only a few portions are reproduced here.

¹ See sec. 3587, page 17.

weight by natural abrasion not more than one-half of one percentum below the standard weight prescribed by law, after a circulation of twenty years, as shown by its date of coinage, and at a ratable proportion for any period less than twenty years, shall be received at their nominal value by the United States Treasury and its offices, under such regulations as the Secretary of the Treasury may prescribe for the protection of the Government against fraudulent abrasion or other practices; and any gold coins in the Treasury of the United States reduced in weight below this limit of abrasion shall be recoined.

SEC. 15. The silver coins of the United States shall be a trade dollar, a half-dollar, or fifty-cent piece, a quarter-dollar, or twenty-five cent piece, a dime, or ten-cent piece; and the weight of the trade dollar shall be four hundred and twenty grains troy; the weight of the half-dollar shall be twelve grams and one-half of a gram; the quarter dollar and the dime shall be, respectively, one-half and one-fifth of the weight of the said half-dollar; and said coins shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment.¹

Act of January 29, 1874—Authorizing coinage to be executed at the Mint of the United States for foreign countries.

Be it enacted, etc., That it shall be lawful for coinage to be executed at the Mints of the United States for any foreign countries applying for the same, according to the legally prescribed standards and devices of such country, under such regulations as the Secretary of the Treasury may prescribe; and the charge for the same shall be equal to the expense thereof, including labor, materials and use of machinery, to be fixed by the Director of the Mint, with the approval of the Secretary of the Treasury: *Provided,* That the manufacture of such coin shall not interfere with the required coinage of the United States.

Act of June 22, 1874—Revised Statutes of the United States.

[Bold face references in parentheses indicate the immediate source of the legislation in question. The date 1873, alone, refers to the Act of Feb. 12, 1873.]

, [SEC. 3495. Locates mints of the United States at Philadelphia, San Francisco, New Orleans, Carson and Denver, and assay offices at New York, Boise City, Io., and Charlotte, N. C.]

[SECS. 3496-3504, inclusive, and 3506-3510, inclusive, relates to the officers of the several mints and assay offices, their duties, salaries, etc.]

SEC. 3505. (1873, § 14.) Any gold coins of the United States, if reduced in weight by natural abrasion not more than one-half of one per centum below the standard weight prescribed by law, after a circulation of twenty years as shown by the date of coinage, and at a ratable proportion for any period less than twenty years, shall be received at their nominal value by the United States Treasury and its offices, under such regulations as the Secretary of the Treasury may prescribe for the protection of the Government against fraudulent abrasion or other practices.

SEC. 3511. (1873, § 14.) The gold coins of the United States shall be a one-dollar piece, which, at the standard weight of twenty-five and eight-tenths grains, shall be the unit of value; a quarter-eagle, or two and a half dollar piece; a three-dollar piece; a half-eagle, or five-dollar piece; an eagle, or ten-dollar piece; and a double-eagle, or twenty-dollar piece. And the standard weight of the gold dollar shall be twenty-five and eight-tenths grains; of the quarter-eagle, or two and a half dollar piece, sixty-four and a half grains; of the three-dollar piece, seventy-seven and four tenths grains; of the half-eagle, or the five-dollar piece, one hundred and twenty-nine grains; of the eagle, or ten-dollar piece, two hundred and fifty-eight grains; of the double-eagle, or twenty-dollar piece, five hundred and sixteen grains.²

SEC. 3512. (1873, § 14.) Any gold coins in the Treasury of the United States, when reduced in weight by natural abrasion more than one-half of one per centum below the standard weight prescribed by law, shall be recoined.

SEC. 3513.³ (1873, § 15.) The silver coins of the United States shall be a trade dollar, a half-dollar, or a fifty-cent piece, a quarter dollar, or twenty-five cent piece, a dime, or ten-cent piece; and the weight of the trade-dollar shall be four hundred and twenty grains troy; the weight of the half-dollar shall be twelve grams and one-half of a gram; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of said half dollar.

SEC. 3514. (1873, § 13.) The standard for both gold and silver coins of the United States shall be such that of one thousand parts by weight nine hundred shall be of pure metal and one hundred of alloy. The alloy of the silver coins shall be of copper. The alloy of the gold coins shall be of copper, or of copper and silver; but the silver shall in no case exceed one-tenth of the whole alloy.

SEC. 3515. (1873, § 16.) The minor coins of the United States shall be a five-cent piece, a three-cent piece, and a one-cent piece. The alloy for the five and three cent pieces shall be of copper and nickel, to be composed of three-fourths copper and one-fourth nickel. The alloy of the one-cent piece shall be ninety-five per centum of copper and five per centum of tin and zinc, in such proportions as shall be determined by the Director of the Mint. The weight of the piece of five cents shall be seventy-seven and

¹ See Secs. 3513 and 3586, Rev. Statutes, pp. 13 and 17.

² Coinage of \$1 and \$3 pieces discontinued by Act of September 26, 1890, page 21.

³ See also Act of March 3, 1875, for 20-ct. silver pieces; Act February 28, 1878, restoring standard silver dollar to full legal tender and authorizing its coinage; Act July 14, 1890, discontinuing coinage of silver dollar. Act August 5, 1892, and March 3, 1892, Columbian coins.

sixteen-hundredths grains troy; of the three-cent piece, thirty grains; and of the one-cent piece, forty-eight grains.

SEC. 3516. (1873, § 17.) No coins, either of gold, silver, or minor coinage, shall hereafter be issued from the Mint other than those of the denominations, standards, and weights set forth in this Title.

SEC. 3517. (1873, § 18.) Upon the coins there shall be the following devices and legends: Upon one side there shall be an impression emblematic of liberty, with an inscription of the word "Liberty" and the year of the coinage, and upon the reverse shall be the figure or representation of an eagle, with the inscriptions "United States of America" and "E Pluribus Unum," and the designation of the value of the coin; but on the gold dollar and three-dollar piece, the dime, five, three, and one cent piece, the figure of the eagle shall be omitted; and on the reverse of the silver-trade dollar the weight and the fineness of the coin shall be inscribed.¹

SEC. 3518. (1873, § 19.) At the option of the owner gold or silver may be cast into bars of fine metal, or of standard fineness, or unparted, as he may prefer, with a stamp upon the same designating the weight and fineness, and with such devices impressed thereon as may be deemed expedient to prevent fraudulent imitation, and no such bars shall be issued of a less weight than five ounces.²

SEC. 3519. (1873, § 20.) Any owner of gold bullion may deposit the same at any mint, to be formed into coin or bars for his benefit. It shall be lawful, however, to refuse any deposit of less value than one hundred dollars, or any bullion so base as to be unsuitable for the operations of the Mint. In case where gold and silver are combined, if either metal be in such small proportion that it cannot be separated advantageously, no allowance shall be made to the depositor for its value.

SEC. 3520. (1873, § 21.) Any owner of silver bullion may deposit the same at any mint, to be formed into bars, or into dollars of the weight of four hundred and twenty grains troy, designated in this Title as trade-dollars, and no deposit of silver for other coinage shall be received. Silver bullion contained in gold deposits, and separated therefrom, may, however, be paid for in silver coin, at such valuations as may be, from time to time, established by the Director of the Mint.

SEC. 3521. (1873, § 22.) When bullion is deposited in any of the mints, it shall be weighed by the superintendent, and when practicable, in the presence of the depositor, to whom a receipt shall be given, which shall state the description and weight of the bullion. When, however, the bullion is in such a state as to require melting, or the removal of base metals, before its value can be ascertained, the weight, after such operation, shall be considered as the true weight of the bullion deposited. The fitness of the bullion to be received shall be determined by the assayer, and the mode of melting by the melter and refiner.

SEC. 3522. (1873, § 23.) From every parcel of bullion deposited for coinage or bars, the superintendent shall deliver to the assayer a sufficient portion for the purpose of being assayed. The bullion remaining from the operations of the assay shall be returned to the superintendent by the assayer.

SEC. 3523. (1873, § 24.) The assayer shall report to the superintendent the quality or fineness of the bullion assayed by him, and such information as will enable him to compute the amount of the charges hereinafter provided for, to be made to the depositor.

SEC. 3524. (1873, § 25.) The charge for converting standard gold bullion into coin shall be one-fifth of one per centum.³ The charges for converting standard silver into trade-dollars for melting and refining when bullion is below standard, for toughening when metals are contained in it which render it unfit for coinage, for copper used for alloy when the bullion is above standard, for separating the gold and silver when these metals exist together in the bullion, and for the preparation of bars, shall be fixed, from time to time, by the Director, with the concurrence of the Secretary of the Treasury, so as to equal but not exceed, in their judgment, the actual average cost to each mint and assay-office of the material, labor, wastage, and use of machinery employed in each of the cases aforementioned.

SEC. 3525. (1873, § 26.) The assayer shall verify all calculations made by the superintendent of the value of deposits, and, if satisfied of the correctness thereof, shall countersign the certificate required to be given by the superintendent to the depositor.

SEC. 3526. (1873, § 27.) In order to procure bullion for the silver coinage authorized by this title, the superintendents, with the approval of the Director of the Mint, as to price, terms and quantity, shall purchase such bullion with the bullion-fund. The gain arising from the coinage of such silver bullion into coin of a nominal value exceeding the cost thereof shall be credited to a special fund denominated the silver-profit fund. This fund shall be charged with the wastage incurred in the silver coinage, and with the expense of distributing such silver coins as hereinafter provided. The balance to the credit of this fund shall be from time to time, and at least twice a year, paid into the Treasury of the United States.

SEC. 3527. (1873, § 28.)⁴ Silver coins other than the trade-dollar shall be paid out at the several mints, and at the assay-office in New York City, in exchange for gold

¹ New devices provided for by Act of Sept. 26, 1890.

² See also Acts of May 26, 1882, and March 3, 1891.

³ This charge repealed by Act of January 14, 1875, section 2.

⁴ See acts August 7, 1882; August 4, 1886; March 2, 1889.

coins at par, in sums not less than one hundred dollars. It shall be lawful, also, to transmit parcels of the same, from time to time, to the assistant treasurers, depositaries, and other officers of the United States, under general regulations proposed by the Director of the Mint, and approved by the Secretary of the Treasury. Nothing herein contained shall, however, prevent the payment of silver coins, at their nominal value, for silver parted from gold, as provided in this Title, or for change less than one dollar in settlement for gold deposits. But for two years after the twelfth day of February, eighteen hundred and seventy-three, silver coins shall be paid at the mint in Philadelphia, and the assay-office in New York City, for silver bullion purchased for coinage, under such regulations as may be prescribed by the Director of the Mint and approved by the Secretary of the Treasury.

SEC. 3528. (1873, § 29.) For the purchase of metal for the minor coinage authorized by this Title, a sum not exceeding fifty thousand dollars in lawful money of the United States shall be transferred by the Secretary of the Treasury to the credit of the superintendent of the mint at Philadelphia, at which establishment only, until otherwise provided by law, such coinage shall be carried on. The superintendent, with the approval of the Director of the Mint as to price, terms and quantity, shall purchase the metal required for such coinage by public advertisement, and the lowest and best bid shall be accepted, the fineness of the metals to be determined on the mint assay. The gain arising from the coinage of such metals into coin of a nominal value, exceeding the cost thereof, shall be credited to the special fund denominated the minor-coinage profit fund; and this fund shall be charged with the wastage incurred in such coinage, and with the cost of distributing said coins as hereinafter provided. The balance remaining to the credit of this fund, and any balance of profits accrued from minor coinage under former acts, shall be, from time to time, and at least twice a year, covered into the Treasury.

SEC. 3529. (1873, § 30.) The minor coins authorized by this Title may, at the discretion of the Director of the Mint, be delivered in any of the principal cities and towns of the United States, at the cost of the Mint, for transportation, and shall be exchangeable at par at the mint in Philadelphia, at the discretion of the superintendent, for any other coin of copper, bronze, or copper-nickel heretofore authorized by law. It shall be lawful for the Treasurer and the several assistant treasurers and depositaries of the United States to redeem, in lawful money, under such rules as may be prescribed by the Secretary of the Treasury, all copper, bronze, and copper nickel coins authorized by law when presented in sums of not less than twenty dollars. Whenever, under this authority, these coins are presented for redemption in such quantity as to show the amount outstanding to be redundant, the Secretary of the Treasury is authorized and required to direct that such coinage shall cease until otherwise ordered by him.

[SECS. 3530-34 relate to the handling, delivery, assaying, etc., of bullion and ingots within the mint].

SEC. 3535. (1873, § 36.) In adjusting the weights of the gold coins, the following deviations shall not be exceeded in any single piece: In the double-eagle and the eagle, one-half of a grain; in the half-eagle, the three-dollar piece, the quarter-eagle and the one-dollar piece, one-fourth of a grain. And in weighing a number of pieces together, when delivered by the coiner to the superintendent, and by the superintendent to the depositor, the deviation from the standard weight shall not exceed one-hundredth of an ounce in five thousand dollars in double-eagles, eagles, half-eagles, or quarter-eagles; in one thousand three dollar pieces, and in one thousand one-dollar pieces.

SEC. 3536. (1873, § 37.) In adjusting the weight of the silver coins the following deviations shall not be exceeded in any single piece: In the dollar, the half and quarter dollar, and in the dime, one and one-half grains. And in weighing a large number of pieces together, when delivered by the coiner to the superintendent, and by the superintendent to the depositor, the deviations from the standard weight shall not exceed two-hundredths of an ounce in one thousand dollars, half-dollars, or quarter dollars, and one-hundredth of an ounce in one thousand dimes.

SEC. 3537. (1873, § 38.) In adjusting the weight of the minor coins provided by this Title, there shall be no greater deviation allowed than three grains for the five-cent piece and two grains for the three and one-cent pieces.

[SECS. 3538-43 relate to the delivery of coins by the coiner; the selection of trial pieces; disposal of chippings, wastage, etc.; and annual settlement].

SEC. 3544. (1873, § 45.) When the coins or bars which are the equivalent to any deposit of bullion are ready for delivery, they shall be paid to the depositor, or his order, by the superintendent; and the payments shall be made, if demanded, in the order in which the bullion shall have been brought to the mint. In cases, however, where there is delay in manipulating a refractory deposit, or for any other unavoidable cause, the payment of subsequent deposits, the value of which is known, shall not be delayed thereby. In the denominations of coin delivered, the superintendent shall comply with the wishes of the depositor, except when impracticable or inconvenient to do so.

SEC. 3545. (1873, § 47.) For the purpose of enabling the mints and the assay office in New York to make returns to depositors with as little delay as possible, it shall be the duty of the Secretary of the Treasury to keep in such mints and assay office, when the state of the Treasury will admit thereof, such an amount of public money, or bullion procured for the purpose, as he shall judge convenient and necessary, out of which those

who bring bullion to the said mints and assay office may be paid the value thereof, in coin or bars, as soon as practicable after the value has been ascertained. On payment thereof being made, the bullion so deposited shall become the property of the United States. The Secretary of the Treasury may, however, at any time withdraw the fund, or any portion thereof.

SEC. 3546. (1873, § 46.) Unparted bullion may be exchanged at any of the mints for fine bars, on such terms and conditions as may be prescribed by the Director of the Mint, with the approval of the Secretary of the Treasury. The fineness, weight and value of the bullion received and given in exchange shall in all cases be determined by the Mint assay. The charge to the depositor for refining or parting shall not exceed that allowed and deducted for the same operation in the exchange of unrefined for refined bullion.

SEC. 3547. (1873, § 48.) To secure a due conformity in the gold and silver coins to their respective standards of fineness and weight, the judge of the district court for the eastern district of Pennsylvania, the Comptroller of the Currency, the assayer of the assay office at New York, and such other persons as the President shall from time to time designate, shall meet as assay commissioners, at the mint in Philadelphia, to examine and test, in the presence of the Director of the Mint, the fineness and weight of the coins reserved by the several mints for this purpose on the second Wednesday in February, annually, and may continue their meeting by adjournment, if necessary. If a majority of the commissioners fail to attend at any time appointed for their meeting, the Director of the Mint shall call a meeting of the commissioners at such other time as he may deem convenient. If it appears by such examination and test that these coins do not differ from the standard fineness and weight by a greater quantity than is allowed by law, the trial shall be considered and reported as satisfactory. If, however, any greater deviation from the legal standard or weight appears, this fact shall be certified to the President; and if, on a view of the circumstances of the case, he shall so decide, the officers implicated in the error shall be thenceforward disqualified from holding their respective offices.

SEC. 3548. (1873, § 49.) For the purpose of securing a due conformity in weight of the coins of the United States to the provisions of this Title, the brass troy-pound weight procured by the minister of the United States at London, in the year eighteen hundred and twenty-seven, for the use of the Mint, and now in the custody of the mint in Philadelphia, shall be the standard troy pound of the Mint of the United States, conformably to which the coinage thereof shall be regulated.

SEC. 3549. (1873, § 50.) It shall be the duty of the Director of the Mint to procure for each mint and assay office, to be kept safely thereat, a series of standard weights corresponding to the standard troy pound of the Mint of the United States, consisting of a one-pound weight and the requisite subdivisions and multiples thereof, from the hundredth part of a grain to twenty-five pounds. The troy weights ordinarily employed in the transaction of such mints and assay-offices shall be regulated according to the above standards at least once in every year, under the inspection of the superintendent and assayer; and the accuracy of those used at the mint at Philadelphia shall be tested annually, in the presence of the assay-commissioners, at the time of the annual examination and test of coins.

SEC. 3550. (1873, § 51.) The obverse working dies at each mint shall, at the end of each calendar year, be defaced and destroyed by the coiner in the presence of the superintendent and assayer.

SEC. 3563. (1792, § 20.) The money of account of the United States shall be expressed in dollars or units, dimes or tenths, cents, or hundredths, and mills or thousandths, a dime being the tenth part of a dollar, a cent the hundredth part of a dollar, a mill the thousandth part of a dollar; and all accounts in the public offices and all proceedings in the courts shall be kept and had in conformity to this regulation.

SEC. 3564. (Mar. 3, 1873, § 1.) The value of foreign coin as expressed in the money of account of the United States shall be that of the pure metal of such coin of standard value; and the values of the standard coins in circulation of the various nations of the world shall be estimated annually by the Director of the Mint, and be proclaimed on the first day of January by the Secretary of the Treasury.

SEC. 3565. (Mar. 3, 1873, § 2.) In all payments by or to the Treasury, whether made here or in foreign countries, where it becomes necessary to compute the value of the sovereign or pound sterling, it shall be deemed equal to four dollars and eighty-six cents and six and one-half mills, and the same rule shall be applied in appraising merchandise imported where the value is, by the invoice, in sovereigns or pounds sterling, and in the construction of contracts payable in sovereigns or pounds sterling; and this valuation shall be the par of exchange between Great Britain and the United States; and all contracts made after the first day of January, 1874, based on an assumed par of exchange with Great Britain of fifty-four pence to the dollar, or four dollars forty-four and four-ninths cents to the sovereign or pound sterling, shall be null and void.

SEC. 3566. (Feb. 9, 1793, § 3; Feb. 21, 1857, § 2.) All foreign gold and silver coins received in payment for moneys due to the United States shall, before being issued in circulation, be coined anew.

[Sec. 3567 is the same as sec. 1 of the act of Feb. 21, 1857, page 10, *ante*.]

LEGAL TENDER.

SEC. 3584. (Feb. 21, 1857, § 3.) No foreign gold or silver coins shall be a legal tender in payment of debts.

SEC. 3585. (1873, § 14.) The gold coins of the United States shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided by law for the single piece, and, when reduced in weight below such standard and tolerance, shall be a legal tender at valuation in proportion to their actual weight.

SEC. 3586. (1873, § 15.) The silver coins of the United States shall be a legal tender at their nominal value for any amount not exceeding five dollars¹ in any one payment.

SEC. 3587. (1873, § 16.) The minor coins of the United States shall be a legal tender at their nominal value for any amount not exceeding 25 cents in any one payment.

SEC. 3700. (Mar. 17, 1862, § 1.) The Secretary of the Treasury may purchase coin with any of the bonds or notes of the United States, authorized by law, at such rates and upon such terms as he may deem most advantageous to the public interest.

SEC. 254. (Mar. 3, 1863, § 5.) The Secretary of the Treasury is authorized to receive deposits of gold coin and bullion with the Treasurer or any assistant treasurer of the United States, in sums not less than twenty dollars, and to issue certificates therefor, in denominations of not less than twenty dollars each, corresponding with the denominations of the United States notes. The coin and bullion deposited for or representing the certificates of deposit shall be retained in the Treasury for the payment of the same on demand. And certificates representing coin in the Treasury may be issued in payment of interest on the public debt, which certificates, together with those issued for coin and bullion deposited, shall not at any time exceed twenty per centum beyond the amount of coin and bullion in the Treasury; and the certificates for coin and bullion in the Treasury shall be received at par in payment for duties on imports.

Act of March 3, 1875—Authorizing the coinage of a twenty-cent piece² of silver at the Mint of the United States.

[Provides for the issue of a silver coin of the denomination of 20 cents, weight 5 grams, legal tender for an amount not exceeding \$5 in any one payment.]

Act of April 17, 1876—Provisions in regard to coinage contained in the act to provide for deficiencies in the Printing and Engraving Bureau of the Treasury Department, etc.

* * * * *

SEC. 2. That the Secretary of the Treasury is hereby directed to issue silver coins of the United States of the denomination of ten, twenty, twenty-five and fifty cents of standard value, in redemption of an equal amount of fractional currency, whether the same be now in the Treasury awaiting redemption, or whenever it may be presented for redemption³; and the Secretary of the Treasury may, under regulations of the Treasury Department, provide for such redemption and issue by substitution at the regular sub-treasuries and public depositories of the United States until the whole amount of fractional currency outstanding shall be redeemed. And the fractional currency redeemed under this act shall be held to be a part of the sinking fund provided for by existing law, the interest to be computed thereon, as in the case of bonds redeemed under the act relating to the sinking fund.

Jt. Res. of July 22, 1876—Joint resolution for the issue of silver coins.

Resolved, etc., That the Secretary of the Treasury, under such limits and regulations as will best secure a just and fair distribution of the same through the country, may issue the silver coin at any time in the Treasury to an amount not exceeding ten million dollars, in exchange for an equal amount of legal-tender notes; and the notes so received in exchange shall be kept as a special fund⁴ separate and apart from all other money in the Treasury, and be reissued only upon the retirement and destruction of a like sum of fractional currency received at the Treasury in payment of dues to the United States; and said fractional currency, when so substituted, shall be destroyed and held as part of the sinking fund, as provided in the act approved April 17, 1876.

SEC. 2. That the trade dollar shall not hereafter be a legal tender, and the Secretary of the Treasury is hereby authorized to limit from time to time the coinage thereof to such an amount as he may deem sufficient to meet the export demand for the same.

¹ Changed to \$10 by act June 9, 1879, § 3, p. 19. For succeeding legislation see:

Act of April 17, 1875.—To redeem fractional paper currency with subsidiary silver coins.

Jt. Res. of July 22, 1876.—To issue silver coins in exchange for legal-tender notes; repealing legal tender of the trade dollar and restricting its coinage; limiting subsidiary silver coinage to \$50,000,000.

Act of February 28, 1878.—Restoring legal-tender quality of silver dollar and directing its coinage and the issuance of certificates therefor.

Act of July 14, 1890.—Discontinuing coinage of standard silver dollar; authorizing purchase of silver and issuance of certificates as legal tender.

² Coinage prohibited by act of May 2, 1878.

³ See provisions of the resumption act of Jan. 14, 1875, page 30.

⁴ Under Sec. 3 of the legislative, executive and judicial appropriations act of June 21, 1879, the Secretary of the Treasury is directed to issue immediately, in payment of arrearages of pensions, the legal tender notes held as a special fund under above authority, and it is further provided that "fractional currency presented for redemption shall be redeemed in any moneys in the Treasury not otherwise appropriated."

SEC. 3. That in addition to the amount of subsidiary silver coin authorized by law to be issued in redemption of the fractional currency it shall be lawful to manufacture at the several mints, and issue through the Treasury and its several offices, such coin to an amount that, including the amount of subsidiary silver coin and of fractional currency outstanding, shall, in the aggregate, not exceed, at any time, fifty million dollars.

SEC. 4. That the silver bullion required for the purposes of this resolution shall be purchased, from time to time, at market rate, by the Secretary of the Treasury, with any money in the Treasury not otherwise appropriated; but no purchase of bullion shall be made under this resolution when the market rate for the same shall be such as will not admit of the coinage and issue, as herein provided, without loss to the Treasury; and any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury, as provided under existing laws relative to the subsidiary coinage: *Provided*, That the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed two hundred thousand dollars.

Act of February 28, 1878—To authorize the coinage of the standard silver dollar and to restore its legal-tender character.

Be it enacted, etc., That there shall be coined, at the several mints of the United States, silver dollars of the weight of four hundred and twelve and a half grains troy of standard silver, as provided in the act of January 18, 1837, on which shall be the devices and superscriptions provided by said act; which coins, together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender at their nominal value, for all debts and dues public and private, except where otherwise expressly stipulated in the contract. And the Secretary of the Treasury is authorized and directed to purchase, from time to time, silver bullion, at the market price thereof, not less than two million dollars' worth per month, nor more than four million dollars' worth per month, and cause the same to be coined monthly, as fast as so purchased, into such dollars; and a sum sufficient to carry out the foregoing provision of this act is hereby appropriated out of any money in the Treasury not otherwise appropriated. And any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury, as provided under existing laws relative to the subsidiary coinage: *Provided*, That the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed five million dollars: *And provided further*, That nothing in this act shall be construed to authorize the payment in silver of certificates of deposit issued under the provisions of section two hundred and fifty-four of the Revised Statutes.

SEC. 2. That immediately after the passage of this act, the President shall invite the Governments of the countries composing the Latin Union, so-called, and of such other European nations as he may deem advisable, to join the United States in a conference to adopt a common ratio between gold and silver, for the purpose of establishing, internationally, the use of bi-metallic money, and securing fixity of relative value between those metals; such conference to be held at such place, in Europe or in the United States, at such time, within six months, as may be mutually agreed upon by the Executives of the Governments joining in the same, whenever the Governments so invited, or any three of them, shall have signified their willingness to unite in the same.

The President shall, by and with the advice and consent of the Senate, appoint three commissioners, who shall attend such conference on behalf of the United States, and shall report the doings thereof to the President, who shall transmit the same to Congress.

Said commissioners shall each receive the sum of two thousand five hundred dollars and their reasonable expenses, to be approved by the Secretary of State; and the amount necessary to pay such compensation and expenses is hereby appropriated out of any money in the Treasury not otherwise appropriated.

SEC. 3. That any holder of the coin authorized by this act may deposit the same with the Treasurer or any assistant treasurer of the United States, in sums not less than ten dollars, and receive therefor certificates of not less than ten dollars each, corresponding with the denominations of the United States notes. The coin deposited for or representing the certificates shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and, when so received, may be reissued.

SEC. 4. All acts and parts of acts inconsistent with the provisions of this act are hereby repealed.

SAM. J. RANDALL, *Speaker of the House of Representatives.*

W. A. WHEELER, *Vice-President of the United States and President of the Senate.*

IN THE HOUSE OF REPRESENTATIVES U. S.

FEBRUARY 28, 1878.

The President of the United States having returned to the House of Representatives, in which it originated, the bill entitled, "An act to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," with his objections thereto; the House of Representatives proceeded, in pursuance of the Constitution, to reconsider the same; and

Resolved, That the said bill pass, two-thirds of the House of Representatives agreeing to pass the same.

Attest:

GEO. M. ADAMS, *Clerk.*
By GREEN ADAMS, *Chief Clerk.*

FEBRUARY 28, 1878.

The Senate having proceeded, in pursuance of the Constitution, to reconsider the bill entitled, "An act to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," returned to the House of Representatives by the President of the United States, with his objections, and sent by the House of Representatives to the Senate with the message of the President returning the bill ;

Resolved. That the bill do pass, two-thirds of the Senate agreeing to pass the same.

Attest :

GEO. C. GORHAM, *Secretary of the Senate.*

Act of May 2, 1878—Prohibiting the coinage of the twenty-cent piece of silver, authorized by the act of March 3, 1875.

Be it enacted, etc., That from and after the passage of this act, the coinage of the twenty-cent piece of silver, by the Government of the United States, be, and the same is hereby prohibited. And all laws in conflict with this act are hereby repealed.

Act of June 19, 1878—Making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30th, 1879, and for other purposes.

* * * * *

And for the purpose of enabling the several mints and assay-offices of the United States to make returns to depositors with as little delay as possible, the provisions of section 3545 of the Revised Statutes of the United States shall hereafter apply to the several mints and assay-offices of the United States ; and the Secretary of the Treasury is hereby authorized to use, as far as he may deem it proper and expedient, for payment to depositors of bullion at the several mints and assay-offices, coin certificates, representing coin in the Treasury, and issued under the provisions of section 254 of the Revised Statutes of the United States ; all of said acts and duties to be performed under such rules and regulations as shall be prescribed by the Secretary of the Treasury. And it shall be lawful to apply the moneys arising from charges collected from depositors at the several mints and assay-offices pursuant to law, to defraying the expenses thereof, including labor, material, wastage, and use of machinery ; and only so much of the appropriations herein made for the mints and assay offices respectively, shall be used for said mints and assay-offices as shall be necessary for the operations of the same, after the moneys arising from the charges aforesaid shall have been exhausted as herein provided. But in no event shall the expenditures of said mints and assay-offices exceed the amount of the specific appropriations herein made for same.

* * * * *

Act of March 3, 1879—Making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30th, 1880, and for other purposes.

Be it enacted, etc., That the following sums be, and the same are hereby appropriated for the objects hereinafter expressed, for the fiscal year ending June 30th, 1880, namely :

* * * * *

Transportation of United States securities : For transportation of notes, bonds, and other securities of the United States, sixty thousand dollars ; and so much of the act "making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30th, 1879, and for other purposes," approved June 19th, 1878, as authorizes the Secretary of the Treasury to issue coin certificates in exchange for bullion deposited for coinage at mints and assay-offices other than those mentioned in section 3545 of the Revised Statutes, be, and the same is hereby repealed ; said repeal to take effect at the end of the present fiscal year.

Act of June 9, 1879—To provide for the exchange of subsidiary coins for lawful money of the United States under certain circumstances, and to make such coins a legal tender in all sums not exceeding ten dollars, and for other purposes.

Be it enacted, etc., That the holder of any of the silver coins of the United States of smaller denomination than one dollar, may, on presentation of the same in sums of twenty dollars, or any multiple thereof, at the office of the Treasurer or any assistant treasurer of the United States, receive therefor lawful money of the United States.

SEC. 2. The Treasurer or any assistant treasurer of the United States who may receive any coins under the provision of this act shall exchange the same in sums of twenty dollars, or any multiple thereof, for lawful money of the United States, on demand of any holder thereof.

SEC. 3. That the present silver coins of the United States of smaller denominations than one dollar shall hereafter be a legal tender in all sums not exceeding ten dollars in full payment of all dues public and private.

SEC. 4. That all laws or parts of laws in conflict with this act be, and the same are hereby repealed.

Act of May 26, 1882—To authorize the receipt of United States gold coin in exchange for gold bars.¹

Be it enacted, etc., That the superintendents of the coinage mints, and of the United States assay office at New York, are hereby authorized to receive United States gold coin from any holder thereof in sums not less than \$5,000, and to pay and deliver in exchange therefor gold bars in value equaling such coin so received.

¹ See Act of March 3, 1891, p. 21.

Act of August 7, 1882—Sundry Civil Appropriation Law.

For the transportation of silver coins: That the Secretary of the Treasury be, and he is hereby, authorized and directed to transport, free of charge, silver coins when requested to do so: *Provided*, That an equal amount in coin or currency shall have been deposited in the Treasury by the applicant or applicants; and that there is hereby appropriated ten thousand dollars, or so much thereof as may be necessary, for that purpose, and that the same be available from and after the passage of this act.

Act of August 4, 1886—Making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30th, 1887, and for other purposes.

Be it enacted, etc., * * * And the Secretary of the Treasury is hereby authorized and required to issue silver-certificates in denominations of one, two, and five dollars, and the silver-certificates herein authorized shall be receivable, redeemable, and payable in like manner and for like purposes as is provided for silver-certificates by the act of February 28th, 1878, entitled "An act to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," and denominations of one, two, and five dollars may be issued in lieu of silver-certificates of larger denominations in the Treasury or in exchange therefor upon presentation by the holders and to that extent said certificates of larger denominations shall be canceled and destroyed.

TRANSPORTATION OF SILVER COIN: For transportation of silver coin, including fractional silver coin, by registered mail or otherwise, forty thousand dollars; and in expending this sum the Secretary of the Treasury is authorized and directed to transport from the Treasury or subtreasuries, free of charge, silver coin when requested to do so; *Provided*, That an equal amount in coin or currency shall have been deposited in the Treasury or such subtreasuries by the applicant or applicants. And the Secretary of the Treasury shall report to Congress the cost arising under this appropriation.

[Similar provisions are contained in succeeding Sundry Civil Appropriation laws.]

Act of February 19, 1887—An act for the retirement and recoinage of the trade dollar.

Be it enacted, etc., That for a period of six months after the passage of this act, United States trade dollars, if not defaced, mutilated or stamped, shall be received at the office of the Treasurer, or any assistant treasurer of the United States, in exchange for a like amount, dollar for dollar, of standard silver dollars, or of subsidiary coins of the United States.

SEC. 2. That the trade dollars received by, paid to, or deposited with the Treasurer or any assistant treasurer or national depository of the United States shall not be paid out or in any other manner issued, but, at the expense of the United States, shall be transmitted to the coinage mints and recoinage into standard silver dollars or subsidiary coin, at the discretion of the Secretary of the Treasury; *Provided*, That the trade dollars recoinage under this act shall not be counted as part of the silver bullion required to be purchased and coined into standard dollars as required by the act of February 28, 1878.

SEC. 3. That all laws and parts of laws authorizing the coinage and issuance of United States trade dollars are hereby repealed.

Received by the President, February 19, 1887.

[NOTE BY THE DEPARTMENT OF STATE.—The foregoing act having been presented to the President of the United States for his approval, and not having been returned by him to the house of Congress in which it originated within the time prescribed by the Constitution of the United States, has become a law without his approval.]

Act of March 2, 1889.—Sundry Civil Appropriation Law.

That hereafter it shall not be lawful to use any portion of the so-called "silver profit fund" or of the appropriation for "storage silver transportation" for the purpose of paying the expenses of the transportation of standard silver dollars from the mints or the sub-treasuries to the Treasury at Washington, District of Columbia.

Act of July 14, 1890—Directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes.

Be it enacted, etc., That the Secretary of the Treasury is hereby directed to purchase, from time to time, silver bullion to the aggregate amount of four million five hundred thousand ounces, or so much thereof as may be offered in each month, at the market price thereof, not exceeding one dollar for three hundred and seventy one and twenty-five hundredths grains of pure silver, and to issue in payment of such purchases of silver bullion Treasury notes of the United States to be prepared by the Secretary of the Treasury, in such form and of such denominations, not less than one dollar nor more than one thousand dollars, as he may prescribe, and a sum sufficient to carry into effect the provisions of this act is hereby appropriated out of any money in Treasury not otherwise appropriated.

SEC. 2. That the Treasury notes issued in accordance with the provisions of this act shall be redeemable on demand, in coin, at the Treasury of the United States, or at the office of any assistant treasurer of the United States, and when so redeemed may be

reissued; but no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury purchased by such notes; and such Treasury notes shall be a legal tender in payment of all debts, public and private, except where otherwise expressly stipulated in the contract, and shall be receivable for customs, taxes, and all public dues, and when so received may be reissued; and such notes, when held by any national banking association, may be counted as a part of its lawful reserve. That upon demand of the holder of any of the Treasury notes herein provided for the Secretary of the Treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver coin, at his discretion, it being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law.

SEC. 3. That the Secretary of the Treasury shall each month coin two million ounces of the silver bullion purchased under the provisions of this act into standard silver dollars until the first day of July, 1891, and after that time he shall coin of the silver bullion purchased under the provisions of this act as much as may be necessary to provide for the redemption of the Treasury notes herein provided for, and any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.

SEC. 4 That the silver bullion purchased under the provisions of this act shall be subject to the requirements of existing law and the regulations of the mint service governing the methods of determining the amount of pure silver contained, and the amount of charges or deductions, if any, to be made.

SEC. 5. That so much of the act of February 28, 1878, entitled "An act to authorize the coinage of the standard silver dollar and to restore its legal tender character," as requires the monthly purchase and coinage of the same into silver dollars of not less than two million dollars nor more than four million dollars' worth of silver bullion, is hereby repealed,

[SEC. 6 relates to the five per cent. redemption fund of National banks. See page 44.]

SEC. 7. That this act shall take effect thirty days from and after its passage.

Act of September 26, 1890—To amend section 3510 of the Revised Statutes of the United States, and to provide for new designs of authorized devices of United States Coins.

[Amends sec. 3510 of Revised Statutes relating to designs, etc., of coins.]

Act of September 26, 1890—An act to discontinue the coinage of the three-dollar and one-dollar gold pieces and three-cent nickel piece.

Be it enacted, etc., That from and after the passage of this act the coinage of the three-dollar gold piece, the one-dollar gold piece, and the three cent nickel piece be, and the same is hereby prohibited, and the pieces named shall not be struck or issued by the Mint of the United States.

SEC. 2. That as fast as the said coins shall be paid into the Treasury of the United States they shall be withdrawn from circulation and be recoined into other denominations of coins.

SEC. 3. That all laws and parts of laws in conflict with this act are hereby repealed.

Act of February 10, 1891—To prevent counterfeiting or manufacture of dies, tools, or other implements used in counterfeiting, and providing penalties therefor, and providing for the issue of search warrants in certain cases.

* * * * *

[Prohibits the making of molds, hubs, dies, etc., in similitude of dies for U. S. coins, or of anything in likeness of any coins of the U. S. or of any foreign Government; and provides for the seizure and forfeiture of all counterfeits, etc.]

Act of March 3, 1891—An act making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1892, and for other purposes.

SEC. 3. That an act to authorize the receipt of United States gold coin in exchange for gold bars, approved May 26th, 1882,¹ be amended to read as follows:

"That the superintendents of the coinage mints and of the United States assay office at New York may, with the approval of the Secretary of the Treasury, but not otherwise, receive United States gold coin from any holder thereof in sums of not less than five thousand dollars, and pay and deliver in exchange therefor gold bars in value equaling such coin so received: *Provided*, That the Secretary of the Treasury may impose for such exchange a charge which, in his judgment, shall equal the cost of manufacturing the bars."

* * * * *

Act of November 1, 1893.—An Act to repeal a part of an act approved July 14th, 1890, entitled "An Act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes."

Be it enacted, etc., That so much of the act approved July 14th, 1890, entitled "An act directing the purchase of silver bullion and issue of Treasury notes thereon, and for other purposes," as directs the Secretary of the Treasury to purchase from time to time silver bullion to the aggregate amount of 4,500,000 ounces, or so much thereof as may be offered in each month at the market price thereof, not exceeding one dollar for three hundred and seven-y-one and twenty-five one-hundredths grains of pure silver, and to

¹ See p. 19.

issue in payment for such purchases Treasury notes of the United States, be, and the same is hereby repealed. And it is hereby declared to be the policy of the United States to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value, such equality to be secure through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets and in the payment of debts. And it is hereby further declared that the effort of the Government should be steadily directed to the establishment of such a safe system of bimetallism as will maintain at all times the equal power of every dollar coined or issued by the United States, in the markets and in the payment of debts.

II.—LAWS RELATING TO GOVERNMENT CURRENCY.

Act of July 17, 1861.—An act to authorize a national loan, and for other purposes.

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized to borrow on the credit of the United States, within twelve months from the passage of this act, a sum not exceeding \$250,000,000, or so much thereof as he may deem necessary for the public service, for which he is authorized to issue coupon bonds, or registered bonds, or Treasury notes, in such proportions of each as he may deem advisable; the bonds to bear interest not exceeding seven per centum per annum, payable semi-annually, irredeemable for twenty years, and after that period redeemable at the pleasure of the United States; and the treasury notes to be of any denomination fixed by the Secretary of the Treasury, not less than \$50. and to be payable three years after date, with interest at the rate of seven and three-tenths per centum per annum, payable semi-annually. And the Secretary of the Treasury may also issue in exchange for coin, and as part of the above loan, or may pay for salaries or other dues from the United States, Treasury notes of a less denomination than fifty dollars, not bearing interest, but payable on demand by the assistant treasurers of the United States at Philadelphia, New York, or Boston, or Treasury notes bearing interest at the rate of three and sixty-five hundredths per centum, payable in one year from date, and exchangeable at any time for Treasury notes for fifty dollars, and upwards, issuable under the authority of this act, and bearing interest as specified above: *Provided*, That no exchange of such notes in any less amount than one hundred dollars shall be made at one time: *And provided further*, That no Treasury notes shall be issued of a less denomination than ten dollars,¹ and that the whole amount of Treasury notes, not bearing interest, issued under the authority of this act, shall not exceed \$50,000,000.

* * * * *

SEC. 6. *And be it further enacted*, That whenever any Treasury notes of a denomination less than fifty dollars, authorized to be issued by this act, shall have been redeemed, the Secretary of the Treasury may reissue the same or may cancel them and issue new notes to an equal amount: *Provided*, That the aggregate amount of bonds and Treasury notes issued under the foregoing provisions of this act shall never exceed the full amount authorized by the first section of this act; and the power to issue or reissue such notes shall cease and determine after the 31st of December, 1862.

SEC. 7. *And be it further enacted*, That the Secretary of the Treasury is hereby authorized, whenever he shall deem it expedient, to issue in exchange for coin, or in payment for public dues, Treasury notes of any denominations hereinbefore specified, bearing interest not exceeding six per centum per annum, and payable at any time not exceeding twelve months from date, provided that the amount of notes so issued, or paid, shall at no time exceed twenty millions of dollars.

* * * * *

Act of August 5, 1861.—An act supplementary to an act entitled "An act to authorize a national loan and for other purposes."

Be it enacted, etc., * * * Any part of the Treasury notes payable on demand, authorized by said act [of July 17, 1861], may be made payable by the assistant treasurer at St. Louis, or by the depositary at Cincinnati.

SEC. 2. *And be it further enacted*, That the Treasury notes issued under the provisions of the said act to authorize a national loan, and for other purposes, or of any other act now in force authorizing the issue of such notes, shall be signed by the Treasurer of the United States, or by some officer of the Treasury Department, designated by the Secretary of the Treasury, for said Treasurer, and countersigned by the Register of the Treasury, or by some officer of the Treasury Department, designated by the Secretary of the Treasury, for said Register, and no Treasury notes, issued under any act, shall require the seal of the Treasury Department.

SEC. 3. *And be it further enacted*, That so much of the act to which this is supplementary as limits the denomination of a portion of the Treasury notes authorized by said act at not less than ten dollars, be and is so modified as to authorize the Secretary of the Treasury to fix the denomination of said notes at not less than five dollars.

* * * * *

SEC. 5. *And be it further enacted*, That the Treasury notes authorized by the act to which this is supplementary, of a less denomination than fifty dollars, payable on demand

¹ Changed to \$5 by Act of August 2, 1861, sec. 3, below.

without interest, and not exceeding in amount the sum of \$50,000,000, shall be receivable in payment of public dues.

* * * * *

Act of February 12, 1862.—An act to authorize an additional issue of United States notes.

Be it enacted, etc., That the Secretary of the Treasury, in addition to the fifty millions of notes payable on demand of denominations not less than five dollars, heretofore authorized by the acts of July 17, and August 5, 1861, be, and he is hereby, authorized to issue like notes, and for like purposes, to the amount of \$10,000,000, and said notes shall be deemed part of the loan of \$250,000,000 authorized by said acts.

Act of February 25, 1862.—An act to authorize the issue of United States notes, and for the redemption or funding the floating debt of the United States.

Be it enacted, etc., That the Secretary of the Treasury is hereby authorized to issue, on the credit of the United States, \$150,000,000 of United States notes, not bearing interest, payable to bearer, at the Treasury of the United States, and of such denominations as he may deem expedient, not less than five dollars each : *Provided, however,* That fifty millions of said notes shall be in lieu of the demand Treasury notes authorized to be issued by the act of July 17, 1861 ; which said demand notes shall be taken up as rapidly as practicable, and the notes herein provided for substituted for them : *And provided further,* That the amount of the two kinds of notes together shall at no time exceed the sum of \$150 000,000, and such notes herein authorized shall be receivable in payment of all taxes, internal duties, excises, debts, and demands of every kind due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin, and shall also be lawful money and a legal tender in payment of all debts public and private, within the United States, except duties on imports and interest as aforesaid. And any holders of said United States notes depositing any sum not less than fifty dollars or some multiple of fifty dollars, with the Treasurer of the United States, or either of the assistant treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of six per centum per annum payable semi-annually, and redeemable at the pleasure of the United States after five years, and payable twenty years from the date thereof. And such United States notes shall be received the same as coin, at their par value, in payment for any loans that may be hereafter sold or negotiated by the Secretary of the Treasury, and may be reissued from time to time as the exigencies of the public interest shall require.

SEC. 2. *And be it further enacted,* That, to enable the Secretary of the Treasury to fund the Treasury notes and floating debt of the United States, he is hereby authorized to issue, on the credit of the United States, coupon bonds, or registered bonds, to an amount not exceeding \$500,000,000, redeemable at the pleasure of the United States after five years, and payable twenty years from date, and bearing interest at the rate of six per centum per annum, payable semi-annually. And the bonds herein authorized shall be of such denominations, not less than fifty dollars, as may be determined upon by the Secretary of the Treasury. And the Secretary of the Treasury may dispose of such bonds at any time, at the market value thereof, for the coin of the United States, or for any of the Treasury notes that have been or may hereafter be issued under any former act of Congress, or for United States notes that may be issued under the provisions of this act ; and all stocks, bonds, and other securities of the United States held by individuals, corporations, or associations within the United States, shall be exempt from taxation by or under State authority.

SEC. 4. *And be it further enacted,* That the Secretary of the Treasury may receive from any person or persons, or any corporation, United States notes on deposit for not less than thirty days, in sums of not less than one hundred dollars, with any of the assistant treasurers or designated depositories of the United States authorized by the Secretary of the Treasury to receive them, who shall issue therefor certificates of deposit made in such form as the Secretary of the Treasury shall prescribe, and said certificates of deposit shall bear interest at the rate of five per centum per annum ; and any amount of United States notes so deposited may be withdrawn from deposit at any time after ten days' notice on the return of said certificates : *Provided,* That the interest on all such deposits shall cease and determine at the pleasure of the Secretary of the Treasury : *And provided further,* That the aggregate of such deposit shall at no time exceed the amount of twenty-five millions of dollars.

SEC. 5. *And be it further enacted,* That all duties on imported goods shall be paid in coin, or in notes payable on demand heretofore authorized to be issued and by law receivable in payment of public dues, and the coin so paid shall be set apart as a special fund, and shall be applied as follows :

First. To the payment in coin of the interest on the bonds and notes of the United States.

Second. To the purchase or payment of one per centum of the entire debt of the United States, to be made within each fiscal year after the first day of July, 1862, which is to be set apart as a sinking fund, and the interest of which shall in like manner be

applied to the purchase or payment of the public debt as the Secretary of the Treasury shall from time to time direct.

Third. The residue thereof to be paid into the Treasury of the United States.

[SECS. 6 and 7 prohibit, and provide penalties for, all counterfeiting, forging, etc.]

Act of March 17, 1862—An act to authorize the purchase of coin and for other purposes.

* * * * *

SEC. 2. *And be it further enacted*, That the demand notes authorized by the act of July 17, 1861, and by the act of February 12, 1862, shall, in addition to being receivable in payment of duties on imports, be receivable, and shall be lawful money and a legal tender, in like manner, and for the same purposes, and to the same extent, as the notes authorized by an act entitled "An act to authorize the issue of United States notes, and for the redemption or funding thereof, and for funding the floating debt of the United States," approved February 25, 1862.

* * * * *

Act of July 11, 1862—An act to authorize an additional issue of United States notes, and for other purposes.

Be it enacted, etc., That the Secretary of the Treasury is hereby authorized to issue, in addition to the amounts heretofore authorized, on the credit of the United States, one hundred and fifty millions of dollars of United States notes, not bearing interest, payable to bearer at the Treasury of the United States, and of such denominations as he may deem expedient: *Provided*, that no note shall be issued for the fractional part of a dollar, and not more than thirty five millions shall be of lower denominations than five dollars; and such notes shall be receivable in payment of all loans made to the United States, and of all taxes, internal duties, excises, debts, and demands of every kind due to the United States, except duties on imports and interest, and of all claims and demands against the United States, except for interest upon bonds, notes, and certificates of debt or deposit; and shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest, as aforesaid. And any holder of said United States notes depositing any sum not less than fifty dollars, or some multiple of fifty dollars, with the Treasurer of the United States or either of the assistant treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of six per centum per annum, payable semi-annually, and redeemable at the pleasure of the United States after five years, and payable twenty years from the date thereof: *Provided, however*, that any notes issued under this act may be paid in coin, instead of being received in exchange for certificates of deposit as above specified, at the direction of the Secretary of the Treasury. And the Secretary of the Treasury may exchange for such notes, on such terms as he shall think most beneficial to the public interest, any bonds of the United States bearing six per centum interest, and redeemable after five and payable in twenty years, which have been or may be lawfully issued under the provisions of any existing act; may reissue the notes so received in exchange; may receive and cancel any heretofore lawfully issued under any act of Congress, and in lieu thereof, issue an equal amount in notes such as are authorized by this act; and, may purchase, at rates not exceeding that of the current market, and cost of purchase not exceeding one-eighth of one per centum, any bonds or certificates of debt of the United States as he may deem advisable.

SEC. 2. *And be it further enacted*, That the Secretary of the Treasury be, and he is hereby authorized, in case he shall think it inexpedient to procure said notes, or any part thereof, to be engraved and printed by contract, to cause the said notes or any part thereof, to be engraved, printed and executed, in such form as he shall prescribe, at the Treasury Department in Washington, and under his direction, and he is hereby empowered to purchase and provide all the machinery and materials, and to employ such persons and appoint such officers as may be necessary for this purpose.

SEC. 3. *And be it further enacted*, That the limitation upon temporary deposits of United States notes with any assistant treasurer, or designated depository authorized by the Secretary of the Treasury to receive such deposits, to fifty millions of dollars be, and is hereby repealed; and the Secretary of the Treasury is authorized to receive such deposits, under such regulations as he may prescribe, to such amount as he may deem expedient, not exceeding one hundred millions of dollars, for not less than thirty days, in sums not less than one hundred dollars, at a rate of interest not exceeding five per centum per annum; and any amount so deposited may be withdrawn from deposit, at any time after ten days' notice on the return of the certificate of deposit. And of the amount of United States notes authorized by this act, not less than fifty millions of dollars shall be reserved for the purpose of securing prompt payment of such deposits when demanded, and shall be issued and used only when, in the judgment of the Secretary of the Treasury, the same or any part thereof may be needed for that purpose. And certificates of deposit and of indebtedness issued under this or former acts, may be received on the same terms as United States notes in payment for bonds redeemable after five and payable in twenty years.

SEC. 4. *And be it further enacted,* That the Secretary of the Treasury may, at any time until otherwise ordered by Congress, and under the restrictions imposed by the "Act to authorize a national loan, and for other purposes," borrow, on the credit of the United States, such part of the sum of two hundred and fifty millions mentioned in said act as may not have been borrowed under the provisions of the same, within twelve months from the passage thereof.

[**SEC. 5.** Appropriations for detecting counterfeiting.]

SEC. 6. *And be it further enacted,* That all the provisions of the act entitled "An Act to authorize the issue of United States notes, and for the redemption or funding thereof, and for funding the floating debt of the United States," Approved February 25, 1862, so far as the same can or may be applied to the provisions of this act, and not inconsistent therewith, shall apply to the notes hereby authorized to be issued.

Act of July 17, 1862—An act to authorize payments in stamps, and to prohibit circulation of notes of less denomination than one dollar.

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby directed to furnish to the Assistant Treasurers, and such designated depositaries of the United States as may be by him selected, in such sums as he may deem expedient, the postage and other stamps of the United States to be exchanged by them, on application, for United States notes; and from and after the first day of August next, such stamps shall be receivable in payment of all dues to the United States less than \$5, and shall be received in exchange for United States notes when presented to any Assistant Treasurer or any designated depository selected as aforesaid, in sums not less than \$5.

SEC. 2. *And be it further enacted,* That from and after the first day of August, 1862, no private corporation, banking association, firm or individual, shall make, issue, circulate or pay any note, check, memorandum, token or other obligation, for a less sum than \$1, intended to circulate as money, or to be received or used in lieu of lawful money of the United States; and every person so offending shall, on conviction thereof, in any District or Circuit Court of the United States, be punished by fine not exceeding \$500, or by imprisonment not exceeding six months, or by both, at the option of the Court.

Joint resolution of January 17, 1863—Joint resolution to provide for the immediate payment of the Army and Navy of the United States.

Whereas it is deemed expedient to make immediate provision for the payment of the Army and Navy: Therefore, *Be it resolved, etc.,* That the Secretary of the Treasury be, and he is hereby authorized, if required by the exigencies of the public service, to issue on the credit of the United States the sum of one hundred millions of dollars of United States notes, in such form as he may deem expedient, not bearing interest, payable to bearer, on demand, and of such denominations not less than one dollar, as he may prescribe, which notes so issued shall be lawful money and a legal tender, like the similar notes heretofore authorized in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt; and the notes so issued shall be part of the amount provided for in any bill now pending for the issue of Treasury notes, or that may be passed hereafter.

Act of March 3, 1863—An act to provide ways and means for the support of the Government.

* * * * *

SEC. 2. *And be it further enacted,* That the Secretary of the Treasury be, and he is hereby authorized to issue, on the credit of the United States, four hundred millions of dollars in Treasury notes, payable at the pleasure of the United States, or at any such time or times, not exceeding three years from date, as may be found most beneficial to the public interests, and bearing interest at a rate not exceeding six per centum per annum, payable at periods expressed on the face of said Treasury notes; and the interest on the said Treasury notes and on certificates of indebtedness and deposit hereafter issued, shall be paid in lawful money. The Treasury notes thus issued shall be of such denomination as the Secretary may direct, not less than ten dollars, and may be disposed of on the best terms that can be obtained, or may be paid to any creditor of the United States willing to receive the same at par. And said Treasury notes may be made a legal tender to the same extent as United States notes, for their face value, excluding interest; or they may be made exchangeable under regulations prescribed by the Secretary of the Treasury, by the holder thereof, at the Treasury in the City of Washington, or at the office of any assistant treasurer or depository designated for that purpose, for United States notes equal in amount to the Treasury notes offered for exchange, together with the interest accrued and due thereon at the date of interest payment next preceding such exchange. And in lieu of any amount of said Treasury notes thus exchanged, or redeemed or paid at maturity, the Secretary may issue an equal amount of other Treasury notes; and the Treasury notes so exchanged, redeemed, or paid, shall be cancelled and destroyed as the Secretary may direct. In order to secure certain and prompt exchanges of United States notes for Treasury notes, when required, as above provided, the Secretary shall have power to issue United States notes to the amount of one hundred and fifty millions of dollars, which may be used if necessary for such exchanges; but no part of the United States notes authorized by this section shall be issued for or applied to any other purposes than said exchanges; and whenever

any amount shall have been so issued and applied, the same shall be replaced as soon as practicable from the sales of Treasury notes for United States notes.

SEC. 3. *And be it further enacted*, That the Secretary of the Treasury be, and he is hereby authorized, if required by the exigencies of the public service for the payment of the Army and Navy, and other creditors of the Government, to issue on the credit of the United States the sum of \$150,000,000 of United States notes, including the amount of such notes heretofore authorized by the joint resolution approved January 17, 1863, in such form as he may deem expedient, not bearing interest, payable to bearer, and of such denominations, not less than one dollar, as he may prescribe, which notes so issued shall be lawful money and a legal-tender in payment of all debts, public or private, within the United States, except for duties on imports and interest on the public debt; and any of the said notes, when returned to the treasury, may be reissued from time to time as the exigencies of the public service may require. And in lieu of any of said notes, or any other United States notes, returned to the Treasury, and cancelled or destroyed, there may be issued equal amounts of United States notes, such as are authorized by this act. And so much of the act to authorize the issue of United States notes, and for other purposes, approved February 25, 1862, and of the act to authorize an additional issue of United States notes, and for other purposes, approved July 11, 1862, as restricts the negotiation of bonds to market value, is hereby repealed. And the holders of United States notes, issued under and by virtue of said acts, shall present the same for the purpose of exchanging the same for bonds, as therein provided, on or before the first day of July, 1863, and thereafter the right so to exchange the same shall cease and determine.

SEC. 4. *And be it further enacted*, That in lieu of postage and revenue stamps for fractional currency, and of fractional notes commonly called postal currency, issued or to be issued, the Secretary of the Treasury may issue fractional notes of like amounts in such forms as he may deem expedient, and may provide for the engraving, preparation and issue thereof in the Treasury Department building. And all such notes issued shall be exchangeable by the assistant treasurers and designated depositaries for United States notes, in sums not less than three dollars, and shall be receivable for postage and revenue stamps, and also in payment of any dues to the United States less than five dollars, except duties on imports, and shall be redeemed on presentation at the Treasury of the United States in such sums and under such regulations as the Secretary of the Treasury shall prescribe: *Provided*, That the whole amount of fractional currency issued, including postage and revenue stamps issued as currency, shall not exceed \$50,000,000.

SEC. 5. *And be it further enacted*, That the Secretary of the Treasury is hereby authorized to receive deposits of gold coin and bullion with the Treasurer or any assistant treasurer of the United States, in sums not less than twenty dollars, and to issue certificates therefor, in denominations of not less than twenty dollars each, corresponding with the denominations of the United States notes. The coin and bullion deposited for or representing the certificates of deposit shall be retained in the Treasury for the payment of the same on demand. And certificates representing coin in the Treasury may be issued in payment of interest on the public debt, which certificates, together with those issued for coin and bullion deposited, shall not at any time exceed twenty per centum beyond the amount of coin and bullion in the Treasury; and the certificates for coin or bullion in the Treasury shall be received at par in payment for duties on imports.

* * * * *

Act of June 30, 1864—An act to provide ways and means for the support of the Government, and for other purposes.

* * * * *

SEC. 2. *And be it further enacted*, That the Secretary of the Treasury may issue on the credit of the United States, and in lieu of an equal amount of bonds authorized by the preceding section, and as a part of said loan, not exceeding two hundred millions of dollars, in Treasury notes of any denomination not less than ten dollars, payable at any time not exceeding three years from date, or, if thought more expedient, redeemable at any time after three years from date, and bearing interest not exceeding the rate of seven and three-tenths per centum, payable in lawful money at maturity, or, at the discretion of the Secretary, semi annually.

And the said Treasury notes may be disposed of by the Secretary of the Treasury, on the best terms that can be obtained, for lawful money; and such of them as shall be made payable, principal and interest, at maturity, shall be a legal tender to the same extent as United States notes for their face value, excluding interest, and may be paid to any creditor of the United States at their face value, excluding interest, or to any creditor willing to receive them at par, including interest; and any Treasury notes issued under the authority of this act may be made convertible, at the discretion of the Secretary of the Treasury, into any bonds issued under the authority of this act.

And the Secretary of the Treasury may redeem and cause to be cancelled and destroyed any Treasury notes or United States notes heretofore issued under authority of previous acts of Congress, and substitute, in lieu thereof, an equal amount of Treasury notes such as are authorized by this act, or of other United States notes: *Provided*, That the total amount of bonds and Treasury notes authorized by the first and second sections of this act shall not exceed \$400,000,000, in addition to the amounts heretofore issued; nor shall the total amount of United States notes, issued or to be issued, ever exceed

\$400,000,000, and such additional sum, not exceeding \$50,000,000, as may be temporarily required for the redemption of temporary loan; nor shall any Treasury note bearing interest, issued under this act, be a legal-tender in payment or redemption of any notes issued by any bank, banking association, or banker, calculated or intended to circulate as money.

* * * * *

SEC. 4. *And be it further enacted*, That the Secretary of the Treasury may authorize the receipt, as a temporary loan, of United States notes or the notes of national banking associations on deposit for not less than thirty days, in sums of not less than \$50, by any of the assistant treasurers of the United States, or depositaries designated for that purpose other than national banking associations, who shall issue certificates of deposit in such form as the Secretary of the Treasury shall prescribe, bearing interest not exceeding six per centum annually, and payable at any time after the term of deposit, and after ten days' subsequent notice, unless time and notice be waived by the Secretary of the Treasury; and the Secretary of the Treasury may increase the interest on deposits at less than six per centum to that rate, or, on ten days' notice to depositors, may diminish the rate of interest as the public interest may require; but the aggregate of such deposits shall not exceed \$150,000,000; and the Secretary of the Treasury may issue, and shall hold in reserve for payment of such deposits, United States notes not exceeding \$50,000,000, including the amount already applied in such payment; and the United States notes, so held in reserve, shall be used only when needed, in his judgment, for the prompt payment of such deposits on demand, and shall be withdrawn and placed again in reserve as the amount of deposits shall again increase.

SEC. 5. *And be it further enacted*, That the Secretary of the Treasury may issue notes of the fractions of a dollar as now used for currency, in such form, with such inscriptions, and with such safeguards against counterfeiting as he may judge best, and provide for the engraving and preparation, and for the issue of the same, as well as of all other notes and bonds, and other obligations, and shall make such regulations for the redemption of said fractional notes and other notes when mutilated or defaced, and for the receipt of said fractional notes in payment of debts to the United States, except for customs, in such sums, not over five dollars, as may appear to him expedient; and it is hereby declared that all laws and parts of laws applicable to the fractional notes engraved and issued as herein authorized, apply equally and with like force to all the fractional notes heretofore authorized, whether known as postage currency or otherwise, and to postage stamps issued as currency; but the whole amount of all descriptions of notes or stamps less than one dollar issued as currency shall not exceed \$50,000,000.

* * * * *

Act of January 28, 1865—An act to amend an act entitled "An act to provide ways and means for the support of the Government and for other purposes," approved June 30, 1864.

Be it enacted, etc., That in lieu of any bonds authorized to be issued by the first section of the act entitled "An act to provide ways and means for the support of the Government," approved June 30, 1864, that may remain unsold at the date of this act, the Secretary of the Treasury may issue, under the authority of said act, Treasury notes of the description and character authorized by the second section of said act: *Provided*, That the whole amount of bonds authorized as aforesaid, and Treasury notes issued and to be issued in lieu thereof, shall not exceed the sum of \$400,000,000; and such Treasury notes may be disposed of for lawful money, or for any other Treasury notes or certificates of indebtedness or certificates of deposit issued under any previous act of Congress; and such notes shall be exempt from taxation by or under State or municipal authority.

SEC. 2. *And be it further enacted*, * * * *Provided*, That this act shall not be so construed as to give any authority for the issue of any legal-tender notes, in any form, beyond the balance unissued of the amount authorized by the second section of the act to which this is an amendment.

Act of March 3, 1865—An act to provide ways and means for the support of the Government.

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby authorized to borrow, from time to time, on the credit of the United States, in addition to the amounts heretofore authorized, any sums not exceeding in the aggregate \$600,000,000, and to issue therefor bonds or Treasury notes of the United States, in such form as he may prescribe; and so much thereof as may be issued in * * * Treasury notes may be made convertible into any bonds authorized by this act, and may be of such denominations—not less than \$50—and bear such dates and be made redeemable or payable at such periods as in the opinion of the Secretary of the Treasury may be deemed expedient. And the interest on such bonds shall be payable semi-annually; and on Treasury notes authorized by this act the interest may be made payable semi-annually, or annually, or at maturity thereof; and the principal or interest, or both, may be made payable in coin or in other lawful money: *Provided*, That the rate of interest on any such bonds or Treasury notes, when payable in coin, shall not exceed six per centum per annum; and when not payable in coin shall not exceed seven and three-tenths per centum per annum; and the rate and character of interest shall be expressed on all such bonds or Treasury notes; *And provided further*, That the act entitled "An act to provide ways and means for the support of the government and for other purposes," approved June 30, 1864, shall be so

construed as to authorize the issue of bonds of any description authorized by this act. And any Treasury notes or other obligations bearing interest, issued under any act of Congress may, at the Secretary of the Treasury, and with the consent of the holder, be converted into any description of bonds authorized by this act; and no bonds so authorized shall be considered a part of the amount of \$600,000,000 hereinbefore authorized.

* * * * *

Sec. 3. *And be it further enacted,* * * * * * Provided; That nothing herein contained shall be construed as authorizing the issue of legal-tender notes in any form.

* * * * *

Act of April 12, 1866—An act to amend an act entitled "An act to provide ways and means to support the Government," approved March 3, 1865.

Be it enacted, etc., That the act entitled "An act to provide ways and means to support the Government," approved March 3, 1865, shall be extended and construed to authorize the Secretary of the Treasury, at his discretion, to receive any Treasury notes or other obligations issued under any act of Congress, whether bearing interest or not, in exchange for any description of bonds, authorized by the act to which this is an amendment; and also to dispose of any description of bonds authorized by said act, either in the United States or elsewhere, to such an amount, in such manner, and at such rates as he may think advisable, for lawful money of the United States or for any Treasury notes, certificates of indebtedness, or certificates of deposit, or other representatives of value, which have been or which may be issued under any act of Congress, the proceeds thereof to be used only for retiring Treasury notes or other obligations issued under any act of Congress; but nothing herein contained shall be construed to authorize any increase of the public debt: *Provided,* That of United States notes not more than \$10,000,000 may be retired and cancelled within six months from the passage of this act, and thereafter not more than \$4,000,000 in any one month: *And provided further,* That the act to which this is an amendment shall continue in full force in all its provisions, except as modified by this act.

* * * * *

Act of March 2, 1867—An act to provide ways and means for the payment of compound-interest notes.¹

Be it enacted, etc., That for the purpose of redeeming and retiring any compound-interest notes outstanding, the Secretary of the Treasury is hereby authorized and directed to issue temporary loan certificates in the manner prescribed by section four of the act entitled "An act to authorize the issue of United States notes and for the redemption or funding thereof, and for funding the floating debt of the United States," approved February 25, 1862, bearing interest at a rate not exceeding three per centum per annum, principal and interest payable in lawful money on demand; and said certificates of temporary loan may constitute and be held by any national bank holding or owning the same, as a part of the reserve provided for in sections thirty-one and thirty-two of the act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864: *Provided,* That not less than two-fifths of the entire reserve of such bank shall consist of lawful money of the United States: *And provided further,* That the amount of such temporary certificates at any time outstanding shall not exceed \$50,000,000.

Act of February 4, 1868—An act to suspend further reduction of the currency.

Be it enacted, etc., That, from and after the passage of this act, the authority of the Secretary of the Treasury to make any reduction of the currency, by retiring or cancelling United States notes, shall be, and is hereby, suspended; but nothing herein contained shall prevent the cancellation and destruction of mutilated United States notes, and the replacing of the same with notes of the same character and amount.

SCHUYLER COLFAX, *Speaker of the House of Representatives.*
B. F. WADE, *President of the Senate pro tempore.*

Indorsed by the President: "Received, January 23, 1868."

(Note by the Department of State—The foregoing act having been presented to the President of the United States for his approval, and not having been returned by him to the House of Congress, in which it originated, within the time prescribed by the Constitution of the United States, has become a law without his approval.)

Act of July 25, 1868—An act to provide for a further issue of temporary loan certificates, for the purpose of redeeming and retiring the remainder of the outstanding compound-interest notes.

Be it enacted, etc., That for the sole purpose of redeeming and retiring the remainder of the compound-interest notes outstanding, the Secretary of the Treasury is hereby authorized and directed to issue an additional amount of temporary loan certificates, not exceeding \$25,000,000; said certificates to bear interest at the rate of three per centum per annum, principal and interest payable in lawful money on demand, and to be similar in all respects to the certificates authorized by the act entitled "An act to provide ways and means for the payment of compound-interest notes," approved March 2, 1867; and the said certificates may constitute and be held by any national bank holding or owning the same as a part of the reserve, in accordance with the provisions of the above mentioned act of March 2, 1867.

¹ See Act of July 25, 1868.

Act of March 18, 1869—An act to strengthen the public credit.

Be it enacted, etc., That in order to remove any doubt as to the purpose of the Government to discharge all just obligations to the public creditors, and to settle conflicting questions and interpretations of the laws by virtue of which such obligations have been contracted, it is hereby provided and declared that the faith of the United States is solemnly pledged to the payment in coin or its equivalent of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligation has expressly provided that the same may be paid in lawful money or other currency than gold and silver. But none of said interest-bearing obligations not already due shall be redeemed or paid before maturity unless at such time United States notes shall be convertible into coin at the option of the holder, or unless at such time bonds of the United States bearing a lower rate of interest than the bonds to be redeemed can be sold at par in coin. And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin.

Act of July 12, 1870—An Act to provide for the redemption of three per cent. temporary loan certificates and for increase of national bank notes.

SEC. 2. *And be it further enacted,* That at the end of each month after the passage of this act it shall be the duty of the Comptroller of the Currency to report to the Secretary of the Treasury the amount of circulating notes issued, under the provisions of the preceding section, to the national banking associations, during the previous month; whereupon the Secretary of the Treasury shall redeem and cancel an amount of three per centum temporary loan certificates issued under the acts of March 2, 1867, and July 25, 1868, not less than the amount of circulating notes so reported; and may, if necessary, in order to procure the presentation of such temporary loan certificates for redemption, give notice to the holders thereof, by publication or otherwise, that certain of said certificates (which shall be designated by number, date and amount) shall cease to bear interest from and after a day to be designated in such notice; and that the certificates so designated shall no longer be available as any portion of the lawful money reserve in possession of any national banking association, and after the day designated in such notice no interest shall be paid on such certificates, and they shall not thereafter be counted as a part of the reserve of any banking association.

Act of June 20, 1874—Fixing the amount of United States Notes, etc.

[For remainder of act see under Laws relating to Banking.]

SEC. 6. That the amount of United States notes outstanding and to be used as a part of the circulating medium shall not exceed the sum of \$382,000,000, which said sum shall appear in each monthly statement of the public debt, and no part thereof shall be held or used as a reserve.

Revised Statutes of the United States—Relating to the Currency.

SEC. 3571. United States notes shall be of such denominations not less than \$1 as the Secretary of the Treasury may prescribe, shall not bear interest, shall be payable to bearer, and shall be in such form as the Secretary may deem best.

SEC. 3572. The whole amount of notes or stamps for the fractions of a dollar, issued as currency, shall not, at any time, exceed \$50,000,000.

SEC. 3573. No issue of fractional notes of the United States shall be of a less denomination than ten cents; and all issues of a less denomination shall, when paid into the treasury or any designated depository of the United States, or redeemed or exchanged as now provided by law, be retained and canceled.

SEC. 3574. The notes of the fractional currency shall be in such form, with such inscriptions and with such safeguards against counterfeiting, as the Secretary of the Treasury may deem best. They shall be exchangeable by the assistant treasurers and designated depositories for United States notes in sums of not less than \$3, and shall be receivable for postage and revenue stamps, and for all dues to the United States, except customs, in sums not over \$5, and shall be redeemed on presentation at the Treasury of the United States in such sums and under such regulations as the Secretary of the Treasury shall prescribe.

SEC. 3575. The Secretary of the Treasury may provide for the engraving and preparation, and for the issue of fractional and other notes, and shall make such regulations for the redemption of such notes when mutilated or defaced, and for the receipt of fractional notes in payment of debts to the United States, except for customs, in such sums, not over \$5, as may appear to him expedient.

SEC. 3579. When any United States notes are returned to the Treasury, they may be re-issued, from time to time, as the exigencies of the public interest may require.

SEC. 3582. The authority given to the Secretary of the Treasury to make any reduction of the currency, by retiring and canceling United States notes is suspended.

SEC. 3583. No person shall make, issue, circulate or pay out any note, check, memorandum, token or other obligation for a less sum than one dollar, intended to circu-

late as money or to be received or used in lieu of lawful money of the United States ; and every person so offending shall be fined not more than \$500, or imprisoned not more than six months, or both, at the discretion of the court.

SEC. 3588. United States notes shall be lawful money, and a legal tender in payment of all debts, public and private, within the United States, except for duties or imports and interest on the public debt.

SEC. 3589. Demand treasury notes authorized by the act of July 17, 1861, chapter 5, and the Act of February 12, 1862, chapter 20, shall be lawful money and a legal tender in like manner as United States notes.

SEC. 3590. Treasury notes issued under the authority of the Acts of March 3, 1863, chapter 73, and June 30, 1864, chapter 172, shall be legal tender to the same extent as United States notes, for their face value, excluding interest.

Provided, That Treasury notes issued under the act last named, shall not be a legal tender in payment or redemption of any notes issued by any bank, banking association, or banker, calculated and intended to circulate as money.

Act of January 14, 1875—An act to provide for the resumption of specie payments.

¹ *Be it enacted, etc.*, That the Secretary of the Treasury is hereby authorized and required, as rapidly as practicable, to cause to be coined, at the mints of the United States, silver coins of the denominations of ten, twenty-five and fifty cents, of standard value, and to issue them in redemption of an equal number and amount of fractional currency of similar denominations, or, at his discretion, he may issue such silver coins through the mints, the sub-treasuries, public depositaries and post-offices of the United States ; and, upon such issue, he is hereby authorized and required to redeem an equal amount of such fractional currency, until the whole amount of such fractional currency outstanding shall be redeemed.

SEC. 2. That so much of section 3524 of the Revised Statutes of the United States as provides for a charge of one-fifth of one per centum for converting standard gold bullion into coin is hereby repealed ; and hereafter no charge shall be made for that service.

SEC. 3. That section 5177 of the Revised Statutes, limiting the aggregate amount of circulating notes of national banking associations, be, and is hereby repealed ; and each existing banking association may increase its circulating notes in accordance with existing law without respect to said aggregate limit ; and new banking associations may be organized in accordance with existing law without respect to said aggregate limit ; and the provisions of law for the withdrawal and redistribution of national bank currency among the several States and Territories are hereby repealed. And whenever, and so often, as circulating notes shall be issued to any such banking association, so increasing its capital or circulating notes, or so newly organized as aforesaid, it shall be the duty of the Secretary of the Treasury to redeem the legal-tender United States notes in excess only of three hundred million of dollars, to the amount of eighty per centum of the sum of national bank notes so issued to any such banking association as aforesaid and to continue such redemption as such circulating notes are issued until there shall be outstanding the sum of \$300,000,000 of such legal-tender United States notes¹ and no more. And on and after the first day of January, anno Domini, eighteen hundred and seventy-nine, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the Assistant Treasurer of the United States in the City of New York², in sums of not less than fifty dollars. , And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time, in the Treasury not otherwise appropriated, and to issue, sell and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the act of Congress approved July 14, 1870, entitled " An act to authorize the refunding of the national debt," with like qualities, privileges and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purposes aforesaid. And all provisions of law inconsistent with the provisions of this act are hereby repealed.

Act of May 31, 1878—An act to forbid the further retirement of United States legal tender notes.

Be it enacted, etc., That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes. And when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, cancelled or destroyed, but they shall be reissued and paid out again and kept in circulation : *Provided*, That nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law.

All acts and parts of acts in conflict herewith are hereby repealed.

¹ Subsequent act of May 31, 1878, forbid further retirement of legal tender notes, and fixed the limit at amount then outstanding, \$346,681,016.

² San Francisco added by Section 3 of act of March 3, 1827. See page 44.

Act of August 4, 1886—An act for making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1887, and for other purposes.

* * * * *

Be it enacted, etc., * * * And the Secretary of the Treasury is hereby authorized and required to issue silver certificates in denominations of one, two and five dollars, and the silver certificates herein authorized shall be receivable, redeemable and payable in like manner and for like purposes as is provided for silver certificates by the act of February 28, 1878, entitled "An act to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," and denominations of one, two and five dollars may be issued in lieu of silver certificates of larger denominations in the Treasury or in exchange therefor upon presentation by the holders, and to that extent said certificates of larger denominations shall be cancelled and destroyed. * * *

III.—LAWS RELATING TO BANK CURRENCY.

Act of February 25, 1791—An act to incorporate the subscribers to the Bank of the United States.

Whereas, It is conceived that the establishment of a bank for the United States, upon a foundation sufficiently extensive to answer the purposes intended thereby, and at the same time upon the principles which afford adequate security for an upright and prudent administration thereof, will be very conducive to the successful conducting of the national finances; will tend to give facility to the obtaining of loans, for the use of the Government, in sudden emergencies; and will be productive of considerable advantages to trade and industry in general; therefore:

SEC. 1. *Be it enacted, etc.,* That a Bank of the United States shall be established; the capital stock whereof shall not exceed \$10,000,000, divided into 25 000 shares, each share being \$400; and that subscriptions toward constituting the said stock, shall, on the first Monday of April next, be opened at the city of Philadelphia, under the superintendence of such persons, not less than three, as shall be appointed for that purpose by the President of the United States (who is hereby empowered to appoint the said persons accordingly); which subscriptions shall continue open, until the whole of the said stock shall have been subscribed.

SEC. 2. *And be it further enacted*, That it shall be lawful for any person, copartnership, or body politic, to subscribe for such or so many shares as he, she or they shall think fit, not exceeding 1,000, except as shall be hereafter directed relatively to the United States; and that the sums respectively subscribed, except on behalf of the United States, shall be payable one-fourth in gold and silver, and three-fourths in that part of the public debt, which, according to the loan proposed in the fourth and fifteenth sections of the act, entitled "An act making provision for the debt of the United States," shall bear an accruing interest, at the time of payment, of six per centum per annum, and shall also be payable in four equal parts, in the aforesaid ratio of specie to debt, at the distance of six calendar months from each other; the first whereof shall be paid at the time of subscription.

* * * * *

SEC. 7. * * * IX. The total amount of the debts which the said corporation shall at any time owe, whether by bond, bill, note or other contract, shall not exceed the sum of \$10,000,000, over and above the monies then actually deposited in the bank for safe-keeping, unless the contracting of any greater debt shall have been previously authorized by a law of the United States. In case of excess, the directors, under whose administration it shall happen, shall be liable for the same, in their natural and private capacities; and an action of debt may, in such case, be brought against them, or any of them, their or any of their heirs, executors or administrators, in any court of record in the United States, or of either of them, by any creditor or creditors of the said corporation, and may be prosecuted to judgment and execution; any condition, covenant, or agreement to the contrary notwithstanding. But this shall not be construed to exempt the said corporation, or the lands, tenements, goods or chattels of the same, from being also liable for and chargeable with the said excess. Such of the said directors who may have been absent when the said excess was contracted or created, or who may have dissented from the resolution or act whereby the same was so contracted or created, may respectively exonerate themselves from being so liable, by forthwith giving notice of the fact, and their absence or dissent, to the President of the United States, and to the stockholders, at a general meeting, which they shall have power to call for that purpose.

* * * * *

XV.—It shall be lawful for the directors aforesaid, to establish offices wherever they shall think fit, within the United States, for the purposes of discount and deposit only, and upon the same terms, and in the same manner, as shall be practised at the bank; and to commit the management of the said offices, and the making of the said discounts, to such persons, under such agreements, and subject to such regulations as they shall deem proper; not being contrary to law, or to the constitution of the bank.

XVI.—The officer at the head of the Treasury Department of the United States shall be furnished, from time to time, as often as he may require, not exceeding once a week, with statements of the amount of capital stock of the said corporation, and of the

debts due to the same ; of the monies deposited therein ; of the notes in circulation, and of the cash in hand ; and shall have a right to inspect such general accounts in the books of the bank as shall relate to the said statements. *Provided*, That this shall not be construed to imply a right of inspecting the account of any private individual or individuals with the bank. * * *

SEC. 9. *And be it further enacted*, That if the said corporation shall advance or lend any sum, for the use or on account of the Government of the United States to any amount exceeding \$100,000 ; or of any particular State to an amount exceeding \$50,000 ; or of any foreign prince or state (unless previously authorized thereto by a law of the United States), all and every person and persons, by and with whose order, agreement, consent, approbation, or connivance, such unlawful advance or loan shall have been made, upon conviction thereof, shall forfeit and pay, for every such offence, treble the value or amount of the sum or sums which shall have been so unlawfully advanced or lent ; one fifth thereof to the use of the informer, and the residue thereof to the use of the United States ; to be disposed of by law and not otherwise.

SEC. 10. **And be it further enacted*, That the bills or notes of the said corporation, originally made payable, or which shall have become payable on demand, in gold or silver coin, shall be receivable in all payments to the United States.

SEC. 11. *And be it further enacted*, That it shall be lawful for the President of the United States, at any time or times, within 18 months after the first day of April next, to cause a subscription to be made to the stock of the said corporation, as part of the aforesaid capital stock of \$10,000,000, on behalf of the United States, to an amount not exceeding \$2,000,000, to be paid out of the monies which shall be borrowed by virtue of either of the acts, the one entitled "An act making provision for the debt of the United States ;" and the other entitled "An act making provision for the reduction of the public debt ;" borrowing of the bank an equal sum, to be applied to the purposes, for which the said monies shall have been procured ; reimbursable in ten years, by equal annual instalments ; or at any time sooner, or in any greater proportions, that the Government may think fit.

SEC. 12. *And be it further enacted*, That no other bank shall be established by any future law of the United States, during the continuance of the corporation hereby created, for which the faith of the United States is hereby pledged.

Act of June 27, 1798—An act to punish frauds committed on the Bank of the United States.

[Provides penalties of imprisonment and fine for altering, forging or counterfeiting the bills or notes issued by the Bank of the United States, or any order or check on the cashier or corporation for the payment of money.]

Act of April 10, 1816—An act to incorporate the subscribers to the Bank of the United States.

Be it enacted, etc., That a Bank of the United States of America shall be established, with a capital of \$35,000,000, divided into 350,000 shares, of one hundred dollars each share. Seventy thousand shares, amounting to the sum of \$7,000,000, part of the capital of the said Bank, shall be subscribed and paid for by the United States, in the manner hereinafter specified ; and two hundred and eighty thousand shares, amounting to the sum of \$28,000,000, shall be subscribed and paid for by individuals, companies, or corporations, in the manner hereinafter specified.

SEC. 7. *And be it further enacted*, That the subscribers to the said Bank of the United States, their successors and assigns, shall be, and are hereby, created a corporation and body politic, by the name and style of "The President, directors and company, of the Bank of the United States," and shall so continue until the 3d day of March, 1836. * * *

SEC. 11. * * *

Eighth—The total amount of debts which the said corporation shall at any time owe, whether by bond, bill, note, or other contract, over and above the debt or debts due for money deposited in the bank, shall not exceed the sum of \$35,000,000, unless the contracting of any greater debt shall have been previously authorized by law of the United States. In case of excess, the directors under whose administration it shall happen shall be liable for the same in their natural and private capacities ; and an action of debt may in such case be brought against them, or any of them, their or any of their heirs, executors, or administrators, in any court of record of the United States, or either of them, by any creditor or creditors of the said corporation, and may be prosecuted to judgment and execution, any condition, covenant, or agreement to the contrary notwithstanding. But this provision shall not be construed to exempt the said corporation of the lands, tenements, goods, or chattels of the same from being also liable for, and chargeable with said excess.

Such of the said directors who may have been absent when the said excess was contracted or created, or who may have dissented from the resolution or act whereby the same was so contracted or created, may respectively exonerate themselves from being so liable by forthwith giving notice of the fact, and of their absence or dissent, to the

* This section was repealed March 19, 1812, after the expiration of the charter.

President of the United States, and to the stockholders, at a general meeting, which they shall have power to call for that purpose.

* * * * *

Twelfth— * * * *Provided*, That all bills or notes, so to be issued by said corporation, shall be made payable on demand, other than bills or notes for the payment of a sum not less than one hundred dollars each, and payable to the order of some person or persons, which bills or notes it shall be lawful for said corporation to make payable at any time not exceeding sixty days from the date thereof.

* * * * *

Seventeenth—No note shall be issued of less amount than five dollars.

* * * * *

SEC. 14. ¹ *And be it further enacted*, That the bills or notes of the said corporation originally made payable, or which shall have become payable on demand, shall be receivable in all payments to the United States, unless otherwise directed by act of Congress.

* * * * *

SEC. 17. *And be it further enacted*, That the said corporation shall not at any time suspend or refuse payment in gold and silver, of any of its notes, bills or obligations; nor of any moneys received upon deposit in said bank, or in any of its offices of discount and deposit. And if the said corporation shall at any time refuse or neglect to pay on demand any bill, note or obligation issued by the corporation, according to the contract, promise or undertaking therein expressed; or shall neglect or refuse to pay on demand any moneys received in said bank, or in any of its offices aforesaid, on deposit, to the person or persons entitled to receive the same, then, and in every such case, the holder of any such note, bill, or obligation, or the person or persons entitled to demand and receive such moneys as aforesaid, shall respectively be entitled to receive and recover interest on the said bills, notes, obligations or moneys, until the same shall be fully paid and satisfied, at the rate of twelve per centum per annum from the time of such demand as aforesaid; *Provided*, That Congress may at any time hereafter enact laws enforcing and regulating the recovery of the amount of the notes, bills, obligations or other debts, of which payment shall have been refused as aforesaid, with the rate of interest above mentioned, vesting jurisdiction for that purpose in any courts, either of law or equity, of the courts of the United States, or Territories thereof, or of the several States, as they may deem expedient.

[Secs. 18 and 19 provide penalties of imprisonment and fine for forging or counterfeiting the notes or bills of the Bank of the United States, or any order or check on the bank or its cashier.]

SEC. 20. *And be it further enacted*, That in consideration of the exclusive privileges and benefits conferred by this act, upon the said bank, the president, directors, and company thereof, shall pay to the United States, out of the corporate funds thereof, the sum of one million and five hundred thousand dollars, in three equal payments; that is to say: five hundred thousand dollars at the expiration of two years; five hundred thousand dollars at the expiration of three years; and five hundred thousand dollars at the expiration of four years after the said bank shall be organized, and commence its operations in the manner herein before provided.

SEC. 21. *And be it further enacted*, That no other bank shall be established by any future law of the United States during the continuance of the corporation hereby created, for which the faith of the United States is hereby pledged.

* * * * *

Act of February 25, 1863—Act to provide a National Currency, secured by a pledge of the United States stocks, and to provide for the circulation and redemption thereof.

[NOTE.—This act was superseded by the act of June 3, 1864, the provisions of which were largely the same. The most important provisions omitted in the latter act were the following:]

SEC. 62. *And be it further enacted*, That any bank or banking association, authorized by any State law to engage in the business of banking, and duly organized under such State law, at the time of the passage of this act, and which shall be the holder and owner of United States bonds to the amount of fifty per centum of its capital stock, may transfer and deliver to the Treasurer of the United States such bonds, or any part thereof, in the manner provided by this act; and, upon making such transfer and delivery such bank or banking association shall be entitled to receive from the Comptroller of the Currency circulating notes, as herein provided, equal in amount to eighty per centum of the amount of the bonds so transferred and delivered.

SEC. 63. *And be it further enacted*, That upon the failure of any such State bank or banking association, to redeem any of its circulating notes, issued under the provisions of the preceding section the Comptroller of the Currency shall, when satisfied that such default has been made, and within thirty days after notice of such default, proceed to declare the bonds transferred and delivered to the treasurer, forfeited to the United States, and the same shall thereupon be forfeited accordingly. And thereupon the circulating notes which have been issued by such bank or banking association, shall

¹ This section was repealed by Act of June 15, 1836.

be redeemed and paid at the treasury of the United States in the same manner as other circulating notes issued under the provisions of this act are redeemed and paid.

SEC. 64. *And be it further enacted*, That the bonds forfeited as provided in the last preceding section, may be canceled to an amount equal to the circulating notes redeemed and paid, or such bonds may be sold, under the direction of the Secretary of the Treasury, and after deducting out of the proceeds a sum sufficient to pay the whole amount of circulating notes for the redemption of which such bonds are held, the surplus, if any remains, shall be paid to the bank or banking association from which such bonds were received.

Act of June 3, 1864—An act to secure national currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof.

[NOTE.—This act is the basis of the Revised Statutes at pp. 36-40. Only such portions are given here as are affected by subsequent legislation prior to the Revised Statutes.]

SEC. 21. *And be it further enacted*, That upon the transfer and delivery of bonds to the Treasurer, as provided in the foregoing section, the associations making the same shall be entitled to receive from the Comptroller of the Currency, circulating notes in different denominations, in blank, registered and countersigned as hereinafter provided, equal in amount to ninety per centum of the current market value of the United States bonds so transferred and delivered, but not exceeding ninety per centum of the amount of said bonds at the par value thereof, if bearing interest at a rate not less than five per centum per annum; and at no time shall the total amount of such notes issued to any such association exceed the amount at such time actually paid in of its capital stock.¹

SEC. 22. *And be it further enacted*, That the entire amount of notes for circulation to be issued under this act shall not exceed three hundred millions of dollars.² * * *

SEC. 34. *And be it further enacted*, That every association shall make to the Comptroller of the Currency, a report, according to the form which may be prescribed by him, verified by the oath or affirmation of the president or cashier of such association; which report shall exhibit in detail, and under appropriate heads, the resources and liabilities of the association before the commencement of business on the morning of the first Monday of the months of January, April, July and October of each year.³ * * *

Act of March 3, 1865—An act to amend an act entitled "An Act to provide a national currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof."

* * * And the amount of said circulating notes to be furnished to each association shall be in proportion to its paid up capital as follows, and no more:⁴ To each association whose capital shall not exceed five hundred thousand dollars, ninety per centum of such capital; to each association whose capital exceeds five hundred thousand dollars, but does not exceed one million dollars, eighty per centum of such capital; to each association whose capital exceeds one million of dollars, but does not exceed three million of dollars, seventy per centum of such capital; to each association whose capital exceeds three millions of dollars, of such capital. And that one hundred and fifty millions of dollars of the entire amount of circulating notes authorized to be issued shall be apportioned to associations in the States, in the District of Columbia, and in the Territories, according to representative population, and the remainder shall be apportioned by the Secretary of the Treasury among associations formed in the several States, in the District of Columbia, and in the Territories, having due regard to the existing banking capital, resources and business of such States, District, and Territories.

Act of March 3, 1865—Revenue act.

SEC. 6. *And be it further enacted*, That every national banking association, State bank or state banking association, shall pay a tax of ten per centum on the amount of notes of any state bank or state banking association, paid out by them after the first day of July, 1866.

SEC. 7. *And be it further enacted*, That any existing bank organized under the laws of any state, having a paid up capital of not less than \$75,000, which shall apply before the first day of July next for authority to become a national bank, under the Act * * * approved June 3, 1864, and shall comply with all the requirements of said Act, shall, if such bank be found by the Comptroller of the Currency to be in good standing and credit, receive such authority in preference to new associations applying for the same. [Remainder of section, referring to State banks having branches, same as Sec. 5155 of Rev. St., See p. 36.]

Act of July 13, 1866—To reduce internal taxation, etc.

SEC. 9. (bis) *And be it further enacted*, That Section 6 of the Act of March 3, 1865, * * * be amended by striking out all after the enacting clause, and inserting lieu thereof the following: That every national banking association, State bank, or State banking association, shall pay a tax of ten per centum on the amount of notes of any person,

¹ See Act of March 3, 1865, following.

² See Act of March 3, 1865, following; July 12, 1870, p. 35; and Act July 14, 1875, repealing limitation, p. 42.

³ See Act of March 3, 1869, p. 35.

⁴ See Sec. 21 of Act of June 3, 1864, above.

State bank or State banking association, used for circulation and paid out by them after the first day of August, 1866, and such tax shall be assessed and paid in such manner as shall be prescribed by the commission of internal revenue.

* * * * *

Act of March 2, 1867.—An act to provide ways and means for the payment of compound interest notes.

* * * * *

Said certificates of temporary loan¹ may constitute and be held by any national bank holding or owning the same, as a part of the reserve provided for in sections 31 and 32 of the Act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof, approved June 3, 1864: *Provided*, That not less than two-fifths of the entire reserve of such bank shall consist of lawful money of the United States.²

Act of March 26, 1867—To exempt certain articles from internal tax, etc.

* * * * *

SEC. 2. *And be it further enacted*, That every national banking association, State bank or banker, or association, shall pay a tax of ten per centum on the amount of notes of any town, city, or municipal corporation, paid out by them after the first day of May, A. D. 1867, to be collected in the mode and manner in which the tax on the notes of State banks is collected.

Act of March 3, 1869—An act regulating the reports of national banking associations.

Be it enacted, etc., That in lieu of all reports required by section thirty-four of the national currency act, every association shall make to the Comptroller of the Currency, not less than five reports during each and every year, according to the form which may be prescribed by him, verified by the oath or affirmation of the president or cashier of such association, and attested by the signature of at least three of the directors. Each such report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the associations at the close of business on any past day by him specified. * * *

Act of July 12, 1870.—An act to provide for the redemption of the three per cent. temporary loan and for the increase of national bank notes.

Be it enacted, etc., That \$54,000,000 in notes for circulation may be issued to national banking associations, in addition to the \$300,000,000 authorized by the twenty-second section of the "Act to provide a national currency, secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3, 1864; and the amount of notes so provided shall be furnished to banking associations organized, or to be organized, in those States and Territories having less than their proportion under the apportionment contemplated by the provisions of the "Act to amend an act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved March 3, 1865; and the bonds deposited with the Treasurer of the United States, to secure the additional circulating notes herein authorized, shall be of any description of bonds of the United States, bearing interest in coin; but a new apportionment of the increased circulation herein provided for shall be made as soon as practicable, based upon the census of 1870: *Provided*, That if applications for the circulation herein authorized shall not be made within one year after the passage of this act by banking associations organized, or to be organized, in States having less than their proportion, it shall be lawful for the Comptroller of the Currency to issue such circulation to banking associations applying for the same in other States or Territories having less than their proportion, giving the preference to such as have the greatest deficiency³: *And provided further*, That no banking association hereafter organized shall have a circulation in excess of \$500,000.⁴

SEC. 2. *And be it further enacted*, That at the end of each month after the passage of this act, it shall be the duty of the Comptroller of the Currency to report to the Secretary of the Treasury the amount of circulating notes issued, under the provisions of the preceding section, to national banking associations during the previous month; whereupon the Secretary of the Treasury shall redeem and cancel an amount of three per centum temporary loan certificates issued under the acts of March 2, 1867, and July 25, 1868, not less than the amount of circulating notes so reported, and may, if necessary, in order to procure the presentation of such temporary loan certificates for redemption, give notice to the holders thereof, by publication or otherwise, that certain of said certificates (which shall be designated by number, date and amount) shall cease to bear interest from and after a day to be designated in such notice; and that the certificates so designated shall no longer be available as any portion of the lawful money reserve in possession of any national banking association; and after the day designated in such notice no interest shall be paid on such certificates, and they shall not thereafter be counted as a part of the reserve of any banking association.

* * * * *

¹ See remainder of Act of March 2, 1867, page 28.

² See Act of July 12, 1870, page 29 and below, for retirement of such loan certificates.

³ This entire matter of distribution of bank currency repealed by the Act of Jan. 14, 1875; see page 42.

⁴ Repealed by Act of July 12, 1892, Sec. 10, p. 43.

Revised Statutes of the United States—Sections relating to bank currency.¹

SEC. 324 (1864, § 1). There shall be in the Department of the Treasury a Bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of a national currency secured by United States bonds; the chief officer of which Bureau shall be called the Comptroller of the Currency, and shall perform his duties under the general direction of the Secretary of the Treasury.

SEC. 5133 (1864, § 5) Associations for carrying on the business of banking under this title may be formed by any number of natural persons, not less in any case than five.

* * * * *

SEC. 5136 (1864, § 8) [Such association] shall * * * have succession for the period of twenty years from its organization, unless it is sooner dissolved according to the provisions of its articles of association, or by the act of its shareholders owning two-thirds of its stock, or unless its franchise becomes forfeited by some violation of the law. * * *

SEC. 5133 (1864, § 7) No Association shall be organized under this title with a less capital than \$100,000, except that banks with a capital of not less than \$50,000, may, with the approval of the Secretary of the Treasury, be organized in any place, the population of which does not exceed 6,000 inhabitants. No association shall be organized in a city the population of which exceeds 50,000 persons with a less capital than \$200,000.

SEC. 5140 (1864, § 14) At least fifty per centum of the capital stock of every association shall be paid in before it shall be authorized to commence business; and the remainder of the capital stock of such association shall be paid in installments of at least ten per centum each, on the whole amount of the capital, as frequently as one installment at the end of each succeeding month from the time it shall be authorized by the Comptroller of the Currency to commence business; and the payment of each installment shall be certified to the Comptroller, under oath, by the president or cashier of the association.

SEC. 5151 (1864, § 12) The shareholders of every national banking association shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts and engagements of such association, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in such shares; except that shareholders of any banking association now existing under State laws having not less than five millions of dollars of capital actually paid in, and a surplus of twenty per centum on hand, both to be determined by the Comptroller of the Currency, shall be liable only to the amount invested in their shares; and such surplus of twenty per centum shall be kept undiminished, and be in addition to the surplus provided for in this title; and if at any time there is a deficiency in such surplus of twenty per centum, such association shall not pay any dividends to its shareholders until the deficiency is made good; and in case of such deficiency the Comptroller of the Currency may compel the association to close its business and wind up its affairs under the provisions of Chapter four of this title.

SEC. 5154 (1864, § 44) Any bank incorporated by special law, or any banking institution organized under a general law of any State, may become a national association under this title by the name prescribed in its organization certificate. * * * But no such association shall have a less capital than the amount prescribed for associations organized under this title.

SEC. 5155 (March 3, 1865, § 7) It shall be lawful for any bank or banking association, organized under State laws, and having branches, the capital being joint and assigned to and used by the mother-bank and branches in definite proportions, to become a national banking association in conformity with existing laws, and to retain and keep in operation its branches, or such one or more of them as it may elect to retain; the amount of the circulation redeemable at the mother-bank, and each branch, to be regulated by the amount of capital assigned to and used by each.

SEC. 5159 (1864, § 16.) Every association, after having complied with the provisions of this title, preliminary to the commencement of the banking business, and before it shall be authorized to commence banking business under this title, shall transfer and deliver to the Treasurer of the United States any United States registered bonds, bearing interest, to an amount not less than thirty thousand dollars and not less than one-third of the capital stock paid in.² Such bonds shall be received by the Treasurer upon deposit, and shall be by him safely kept in his office, until they shall be otherwise disposed of, in pursuance of the provisions of this title.

SEC. 5160 (1864, § 16.) The deposits of bonds made by each association shall be increased as its capital shall be paid up or increased, so that every association shall at all times have on deposit with the Treasurer registered United States bonds to the amount of at least one third of its capital stock actually paid in.² And any association that may desire to reduce its capital or close up its business and dissolve its organization, may take up its bonds upon returning to the Comptroller its circulating notes in the proportion hereinafter required, or may take up any excess of bonds beyond one-third of its capital stock, and upon which no circulating notes have been delivered.

¹ NOTE.—The bold face references in parentheses indicate the source of the legislation embodied in the section. The date 1864 refers to the Act of June 3, 1864.

² See act June 20, 1874, section 4, page 41; and act July 12, 1882, section 8, page 43.

SEC. 5167 (1864, § 26.) The bonds transferred to and deposited with the Treasurer of the United States, by any association, for the security of its circulating notes, shall be held exclusively for that purpose, until such notes are redeemed, except as provided in this title. The Comptroller of the Currency shall give to any such association powers of attorney to receive and appropriate to its own use the interest on the bonds which it has so transferred to the Treasurer; but such powers shall become inoperative whenever such association fails to redeem its circulating notes. Whenever the market or cash value of any bonds thus deposited with the Treasurer is reduced below the amount of the circulation issued for the same, the Comptroller may demand and receive the amount of such depreciation in other United States bonds at cash value, or in money, from the association, to be deposited with the Treasurer as long as such depreciation continues. And the Comptroller, upon the terms prescribed by the Secretary of the Treasury, may permit an exchange to be made of any of the bonds deposited with the Treasurer by any association for other bonds of the United States authorized to be received as security for circulating notes, if he is of opinion that such exchange can be made without prejudice to the United States; and he may direct the return of any bonds to the association which transferred the same, in sums of not less than one thousand dollars, upon the surrender to him and the cancellation of a proportionate amount of such circulating notes¹: *Provided*, That the remaining bonds, which shall have been transferred by the association offering to surrender circulating notes are equal to the amount required for the circulating notes not surrendered by such association and that the amount of bonds in the hands of the Treasurer is not diminished below the amount required to be kept on deposit with him, and that there has been no failure by the association to redeem its circulating notes, nor any other violations by it of the provisions of this title, and that the market or cash value of the remaining bonds is not below the amount required for the circulation issued for the same.

SEC. 5171² (1864, § 21.) Upon a deposit of bonds as prescribed by sections 5159 and 5160 the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank, registered and countersigned as hereinafter provided equal in amount to ninety per centum of the current market value of the United States bonds so transferred and delivered, but not exceeding ninety per centum of the amount of the bonds at the par value thereof, if bearing interest at a rate not less than five per centum per annum: *Provided*,³ (March 3, 1865.) That the amount of circulating notes to be furnished to each association shall be in proportion to its paid-up capital as follows, and no more:

First. To each association whose capital does not exceed \$500,000, ninety per centum of such capital.

Second.⁴ To each association whose capital exceeds \$500,000 but does not exceed \$1,000,000, eighty per centum of such capital.

Third.⁴ To each association whose capital exceeds \$1,000,000, but does not exceed \$3,000,000, seventy-five per centum of such capital.

Fourth.⁴ To each association whose capital exceeds \$3,000,000, sixty per centum of such capital.

SEC. 5172. (1864, § 22.) In order to furnish suitable notes for circulation, the Comptroller of the Currency shall, under the direction of the Secretary of the Treasury, cause plates and dies to be engraved, in the best manner to guard against counterfeiting and fraudulent alterations, and shall have printed therefrom,⁵ and numbered, such quantity of circulating notes in blank, of the denominations of one dollar, two dollars, three dollars, five dollars, ten dollars, twenty dollars, fifty dollars, one hundred dollars, five hundred dollars and one thousand dollars, as may be required to supply the associations entitled to receive the same. Such notes shall express upon their face that they are secured by United States bonds, deposited with the Treasurer of the United States, by the written or engraved signatures of the Treasurer and Register, and by the imprint of the seal of the Treasury; and shall also express upon their face the promise of the association receiving the same to pay on demand, attested by the signatures of the President or Vice-President and cashier; and shall bear such devices and such other statements, and shall be in such form, as the Secretary of the Treasury shall, by regulation, direct.

SEC. 5173. (1864, § 41.) The plates and special dies to be procured by the Comptroller of the Currency for the printing of such circulating notes shall remain under his control and direction, and the expenses necessarily incurred in executing the laws respecting the procuring of such notes, and all other expenses of the Bureau of the Currency, shall be paid out of the proceeds of the taxes or duties assessed and collected on the circulation of National banking associations under this title.⁶

SEC. 5175. (1864, § 22.) Not more than one-sixth part of the notes furnished to any association shall be of a less denomination than five dollars. After specie payments

¹ See act of June 30, 1874, section 4, page 41, requiring the deposit of not less than \$9,000.

² See act July 12, 1882, section 10, page 43.

³ This proviso replaces the following in the act of June 3, 1864: "And at no time shall the total amount of such notes, issued to any such association, exceed the amount at such time actually paid in of its capital stock."

⁴ Repealed by section 10, act July 12, 1882, page 41.

⁵ See act of March 3, 1875, page 42, for authority to use distinctive paper.

⁶ See section 3, act June 20, 1874, page 40; and section 8, act July 12, 1882, page 43. Charging expense of assorting and transporting notes to the respective associations.

are resumed no association shall be furnished with notes of a less denomination than five dollars.

SEC. 5176. (July 12, 1870.) No banking association organized subsequent to the 12th day of July, 1870, shall have a circulation in excess of \$500,000.¹

SEC. 5177. (1864, § 22, July 12, 1870.) The aggregate amount of circulating notes issued under the act of February 25, 1863, and under the act of June 3, 1864, and under section 1 of the act of July 12, 1870, and under this title, shall not exceed \$354,000,000.²

SEC. 5178.³ (March 3, 1865, and July 12, 1870.) One hundred and fifty millions of dollars of the entire amount of circulating notes authorized to be issued shall be apportioned to associations in the States, in the Territories, and in the District of Columbia, according to the representative population. One hundred and fifty millions shall be apportioned by the Secretary of the Treasury among associations formed in the several States, in the Territories, and in the District of Columbia, having due regard to the existing banking capital, resources, and business of such States, Territories and District. The remaining fifty-four millions shall be apportioned among associations in States and Territories having, under the apportionments above prescribed, less than their full proportion of the aggregate amount of notes authorized, which made due application for circulating notes prior to the 12th day of July, 1870. Any remainder of such fifty-four millions shall be issued to banking associations applying for circulating notes in other States or Territories having less than their proportion.

SEC. 5179.³ (July 12, 1870, § 6.) In order to secure a more equitable distribution of the national banking currency, there may be issued circulating notes to banking associations organized in States and Territories having less than their proportion, and the amount of circulation herein authorized shall, under the direction of the Secretary of the Treasury, as it may be required for this purpose, be withdrawn, as herein provided, from banking associations organized in States having more than their proportion, but the amount so withdrawn shall not exceed \$25,000,000: *Provided*, That no circulation shall be withdrawn under the provisions of this section until after the \$54,000,000 granted in the first section of the Act of July 12th, 1870, shall have been taken up.⁴

SEC. 5182. (1864, § 23.) After any association receiving circulating notes under this title has caused its promise to pay such notes on demand to be signed by the president or vice-president and cashier thereof, in such manner as to make them obligatory promissory notes, payable on demand, at its place of business, such association may issue and circulate the same as money. And the same shall be received at par in all parts of the United States in payment of taxes, excises, public lands and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption of the national currency.

SEC. 5183. (1864, § 23.) No national banking association shall issue post notes or any other notes to circulate as money than such as are authorized by the provisions of this title.

SEC. 5184. (1864, § 24.) It shall be the duty of the Comptroller of the Currency to receive worn-out or mutilated circulating notes issued by any banking association, and also, on due proof of the destruction of any such circulating notes, to deliver in place thereof to the association other blank circulating notes to an equal amount. Such worn-out or mutilated notes, after a memorandum has been entered in the proper books, in accordance with such regulations as may be established by the Comptroller, as well as all circulating notes which shall have been paid or surrendered to be cancelled, shall be burned to ashes⁵ in presence of four persons, one to be appointed by the Secretary of the Treasury, one by the Comptroller of the Currency, one by the Treasurer of the United States, and one by the association, under such regulations as the Secretary of the Treasury may prescribe. A certificate of such burning, signed by the parties so appointed, shall be made in the books of the Comptroller, and a duplicate thereof forwarded to the association whose notes are thus canceled.

SEC. 5185. (July 12, 1870, § 3.) Associations may be organized in the manner prescribed by this title for the purpose of issuing notes payable in gold⁶; and upon the deposit of any United States bonds bearing interest payable in gold with the Treasurer of the United States, in the manner prescribed for other associations, it shall be lawful for the Comptroller of the Currency to issue to the association making the deposit circulating notes of different denominations, but none of them of less than five dollars, and not exceeding in amount eighty per centum of the par value of the bonds deposited, which shall express the promise of the association to pay them, upon presentation at the office at which they are issued, in gold coin of the United States, and shall be so redeemable. But no such association shall have a circulation of more than one million of dollars.⁷

¹ Repealed by act July 12, 1882, section 10, page 41.

² This limitation repealed by section 3, act of January 14, 1875, page 42.

³ Superseded by act January 14, 1875, section 3, page 42.

⁴ Repealed by Act of June 20, 1874, sec. 7, p. 40.

⁵ Maceration substituted for burning by Act of June 23, 1874.

⁶ See Act of Feb. 14, 1880, p. 43.

⁷ This limitation was repealed by Act Jan. 19, 1875, p. 42.

SEC. 5186. (July 12, 1870, §§ 4, 5.) Every association organized under the preceding section shall at all times keep on hand not less than twenty-five per centum of its outstanding circulation, in gold or silver coin of the United States; and shall receive at par in the payment of debts the gold notes of every other such association which at the time of such payment is redeeming its circulating notes in gold coin of the United States, and shall be subject to all the provisions of this title: *Provided*, That, in applying the same to associations organized for issuing gold notes, the terms "lawful money" and "lawful money of the United States" shall be construed to mean gold or silver coin of the United States; and the circulation of such association shall not be within the limitation of circulation mentioned in this title.

SEC. 5190. (1864, § 8.) The usual business of each national banking association shall be transacted at an office or banking-house located in the place specified in its organization certificate.

SEC. 5191. (1864, § 31.) Every national banking association in either of the following cities: Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, Saint Louis, San Francisco, and Washington,¹ shall at all times have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of the aggregate amount of its notes in circulation² and its deposits; and every other association shall at all times have on hand, in lawful money of the United States, an amount equal to at least fifteen per centum of the aggregate amount of its notes in circulation, and of its deposits. Whenever the lawful money of any association in any of the cities named shall be below the amount of twenty-five per centum of its circulation and deposits, and whenever the lawful money of any other association shall be below fifteen per centum of its circulation and deposits, such association shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange payable at sight, nor make any dividend of its profits until the required proportion, between the aggregate amount of its outstanding notes of circulation and deposits and its lawful money of the United States, has been restored. And the Comptroller of the Currency may notify any association, whose lawful money reserve shall be below the amount above required to be kept on hand, to make good such reserve; and if such association shall fail for thirty days thereafter so to make good its reserve of lawful money, the Comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of the association, as provided in section 5234.

SEC. 5192. (1864, § 31.) Three-fifths of the reserve of fifteen per centum required by the preceding section to be kept, may consist of balances due to an association, available for the redemption of its circulation notes,³ from associations approved by the Comptroller of the Currency, organized under the act of June 3d, 1864, or under this Title, and doing business in the cities of Albany, Baltimore, Boston, Charleston, Chicago, Cincinnati, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, Richmond, Saint Louis, San Francisco, and Washington. Clearing-house certificates, representing specie or lawful money specially deposited for the purpose, of any clearing-house association, shall also be deemed to be lawful money in the possession of any association belonging to such clearing-house, holding and owning such certificate, within the preceding section.

SEC. 5193. (June 8, 1872, §§ 1, 2.) The Secretary of the Treasury may receive United States notes on deposit, without interest, from any national banking association, in sums of not less than \$10,000, and issue certificates therefor in such form as he may prescribe, in denominations of not less than \$5,000, and payable on demand in United States notes at the place where the deposits were made. The notes so deposited shall not be counted as part of the lawful money reserve of the association; but the certificates issued therefor may be counted as part of its lawful-money reserve, and may be accepted in the settlement of clearing-house balances at the places where the deposits therefor were made.

SEC. 5194. (June 8, 1872, § 3.) The power conferred on the Secretary of the Treasury, by the preceding section, shall not be exercised so as to create any expansion or contraction of the currency. And United States notes, for which certificates are issued under that section, or other United States notes of like amount, shall be held as special deposits in the Treasury, and used only for the redemption of such certificates.

SEC. 5195. (1864, § 32.) Each association organized in any of the cities named in section 5191 shall select, subject to the approval of the Comptroller of the Currency, an association in the city of New York, at which it will redeem its circulating notes at par;⁴ and may keep one-half of its lawful money reserve in cash deposits in the city of New York. But the foregoing provision shall not apply to associations organized and located in the city of San Francisco for the purpose of issuing notes payable in gold. Each association not organized within the cities named, shall select, subject to the approval of the Comptroller, an association in either of the cities named, at which it will redeem its circulating notes at par. The Comptroller shall give public notice of the names of the

¹ Leavenworth was also included from 1864 to March 1st, 1872.

² See Act June 20th, 1874, sec. 2, page 40.

³ See Act June 20th, 1874, sec. 3, page 40.

⁴ See Act of June 20, 1874, sec. 3, p. 40.

associations selected, at which redemptions are to be made by the respective associations, and of any change that may be made of the association at which the notes of any association are redeemed. Whenever any association fails either to make the selection or to redeem its notes as aforesaid, the Comptroller of the Currency may, upon receiving satisfactory evidence thereof, appoint a receiver in the manner provided for in section 5234 to wind up its affairs. But this section shall not relieve any association from its liability to redeem its circulating notes at its own counter, at par, in lawful money on demand.

SEC. 5196. (1864, § 32.) Every national banking association formed or existing under this title, shall take and receive at par, for any debt or liability to it, any and all notes or bills issued by any lawfully organized national banking association. (July 12, 1870, § 5.) But this provision shall not apply to any association organized for the purpose of issuing notes payable in gold.

SEC. 5211. (March 3, 1869.) Every association shall make to the Comptroller of the Currency not less than five reports during each year, according to the form which may be prescribed by him. * * * Each such report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the association at the close of business on any past day by him specified. * * * The Comptroller shall also have power to call for special reports from any particular association whenever in his judgment the same are necessary in order to a full and complete knowledge of its condition.

SEC. 5214. (1834, § 41.) In lieu of all existing taxes, every association shall pay to the Treasurer of the United States, in the months of January and July, a duty of one-half of one per centum each half-year upon the average amount of its notes in circulation, and a duty of one-quarter of one per centum each half-year upon the average amount of its deposits, and a duty of one-quarter of one per centum each half-year on the average amount of its capital stock,¹ beyond the amount invested in United States bonds.

SEC. 5230. (1864, §§ 47, 48.) Whenever the Comptroller has become satisfied * * * that any association has refused to pay its circulating notes, he may, instead of canceling its bonds, cause so much of them as may be necessary to redeem its outstanding notes to be sold at public auction in the city of New York, after giving thirty days' notice of such sale to the association. For any deficiency in the proceeds of all the bonds of an association, when thus sold, to re-imburse to the United States the amount expended in paying the circulating notes of the association, the United States shall have a paramount lien upon all its assets; and such deficiency shall be made good out of such assets in preference to any and all other claims whatsoever, except the necessary costs and expenses of administering the same.

SEC. 5240. (1864, § 54.) The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall, as often as shall be deemed necessary or proper, appoint a suitable person or persons to make an examination of the affairs of every banking association, who shall have power to make a thorough examination into all the affairs of the association. * * *

SEC. 3412. (Mar. 3, 1865, § 6; July 13, 1866, § 9.) Every national banking association, State bank, or State banking association, shall pay a tax of ten per centum on the amount of notes of any person, or of any State bank or State banking association, used for circulation and paid out by them.²

SEC. 3413. (Mar. 26, 1867, § 2.) Every national banking association, State bank, or banker, or association, shall pay a tax of ten per centum on the amount of notes of any town, city or municipal corporation, paid out by them.²

SEC. 3414. (Mar. 3, 1865.) A true and complete return of the monthly amount of circulation, of deposits, and of capital, as aforesaid, and of the monthly amount of notes of persons, town, city or municipal corporation, State banks, or State banking associations paid out as aforesaid for the previous six months, shall be made and rendered in duplicate on the first day of December and the first day of June, by each of such banks, associations, corporations, companies or persons. * * *

Act of June 20, 1874—Fixing the amount of United States notes, providing for a redistribution of national bank currency, and for other purposes.

Be it enacted, etc., That the act entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved June 3d, 1864, shall hereafter be known as the "National Bank Act."

SEC. 2. That section 31 of the "national bank act"³ be so amended that the several associations therein provided for shall not hereafter be required to keep on hand any amount of money whatever by reason of the amount of their respective circulations; but the moneys required by said section to be kept at all times on hand shall be determined by the amount of deposits in all respects, as provided for in the said section.

SEC. 3. That every association organized, or to be organized, under the provisions of the said act, and of the several acts amendatory thereof, shall at all times keep and have on deposit in the Treasury of the United States, in lawful money of the United States, a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation; which sum shall be counted as part of its

¹ Tax on deposits and capital stock repealed Mar. 3, 1883.

² See Act of Feb. 8, 1875, page 42.

³ See sec. 5191, page 39.

lawful reserve, as provided in section two of this act.¹ And when the circulating notes of any such associations, assorted or unassorted, shall be presented for redemption, in sums of \$1,000 or any multiple thereof, to the Treasurer of the United States, the same shall be redeemed in United States notes. All notes so redeemed shall be charged by the Treasurer of the United States to the respective associations issuing the same, and he shall notify them severally, on the first day of each month, or oftener, at his discretion, of the amount of such redemptions; and whenever such redemptions for any association shall amount to the sum of \$500, such association so notified shall forthwith deposit with the Treasurer of the United States a sum in United States notes equal to the amount of its circulating notes so redeemed. And all notes of national banks worn, defaced, mutilated or otherwise unfit for circulation, shall, when received by any assistant treasurer, or at any designated depository of the United States, be forwarded to the Treasurer of the United States for redemption as provided herein. And when such redemptions have been so reimbursed, the circulating notes so redeemed shall be forwarded to the respective associations by which they were issued; but if any of such notes are worn, mutilated, defaced or rendered otherwise unfit for use, they shall be forwarded to the Comptroller of the Currency and destroyed, and replaced as now provided by law: *Provided*, That each of said associations shall reimburse to the Treasury the charges for transportation,² and the costs for assorting such notes; and the associations hereafter organized shall also severally reimburse to the Treasury the cost of engraving such plates as shall be ordered by each association respectively; and the amount assessed upon each association shall be in proportion to the circulation redeemed, and be charged to the fund on deposit with the Treasurer: *And provided further*, That so much of section 32 of said national-bank act requiring or permitting the redemption of its circulating notes elsewhere than at its own counter, except as is provided for in this section, is hereby repealed.

SEC. 4. That any association organized under this act, or any of the acts of which this is an amendment, desiring to withdraw its circulating notes,³ in whole or in part, may, upon the deposit of lawful money with the Treasurer of the United States in sums of not less than \$9,000, take up the bonds which said association has on deposit with the Treasurer for the security of such circulating notes, which bonds shall be assigned to the bank in the manner specified in the nineteenth section of the national-bank act; and the outstanding notes of said association, to an amount equal to the legal-tender notes deposited, shall be redeemed at the Treasury of the United States, and destroyed as now provided by law: *Provided*, That the amount of the bonds on deposit for circulation shall not be reduced below \$50,000.

SEC. 5. That the Comptroller of the Currency shall, under such rules and regulations as the Secretary of the Treasury may prescribe, cause the charter numbers of the associations to be printed upon all national bank notes which may be hereafter issued by him.

[Sec. 6, Fixes amount of United States Notes. See page 29.]

SEC. 7. That so much of the act entitled "An act to provide for the redemption of the three per cent. temporary loan certificates, and for an increase of national-bank notes," as provides that no circulation shall be withdrawn under the provisions of section 6 of said act, until after the \$54,000,000 granted in section 1 of said act shall have been taken up, is hereby repealed; and it shall be the duty of the Comptroller of the Currency, under the direction of the Secretary of the Treasury, to proceed forthwith, and he is hereby authorized and required, from time to time, as applications shall be duly made therefor, and until the full amount of \$55,000,000 shall be withdrawn, to make requisitions upon each of the national banks described in said section, and in the manner therein provided, organized in States having an excess of circulation, to withdraw and return so much of their circulation as by said act may be apportioned to be withdrawn from them, or, in lieu thereof, to deposit in the Treasury of the United States lawful money sufficient to redeem such circulation; and upon the return of the circulation required, or the deposit of lawful money, as herein provided, a proportionate amount of the bonds held to secure the circulation of such association as shall make such return or deposit shall be surrendered to it.

SEC. 8. That upon the failure of the national banks upon which requisition for circulation shall be made, or of any of them, to return the amount required, or to deposit in the Treasury lawful money to redeem the circulation required within thirty days, the Comptroller of the Currency shall at once sell, as provided in section 49 of the National Currency Act, approved June 3d, 1864, bonds held to secure the redemption of the circulation of the association or associations which shall so fail, to an amount sufficient to redeem the circulation required of such association or associations, and with the proceeds, which shall be deposited in the Treasury of the United States, so much of the circulation of such association or associations shall be redeemed as will equal the amount required and not returned; and if there be an excess of proceeds over the amount required for such redemption, it shall be returned to the association or associations whose bonds shall have been sold. And it shall be the duty of the Treasurer, assistant treasurers, designated depositories, and national bank depositories of the United States, who shall be kept

¹ See also Act July 14, 1890, sec. 6, page 41.

² See Act July 12, 1882, sec. 8, page 43.

³ See sec. 5157, page 37; also Act July 12, 1882, sec. 9, page 43.

informed by the Comptroller of the Currency of such associations as shall fail to return circulation as required, to assort and return to the Treasury for redemption the notes of such associations as shall come into their hands until the amount required shall be redeemed, and in like manner to assort and return to the Treasury, for redemption, the notes of such national banks as have failed, or gone into voluntary liquidation for the purpose of winding up their affairs, and of such as shall hereafter so fail or go into liquidation.¹

SEC. 9. That from and after the passage of this act it shall be lawful for the Comptroller of the Currency, and he is hereby required, to issue circulating notes, without delay, as applications therefor are made, not to exceed the sum of \$55,000,000 to associations, organized, or to be organized, in those States and Territories having less than their proportion of circulation, under an apportionment made on the basis of population and of wealth, as shown by the returns of the census of 1870, and every association hereafter organized shall be subject to, and be governed by, the rules, restrictions, and limitations, and possess the rights, privileges, and franchises, now or hereafter to be prescribed by law as to national banking associations, with the same power to amend, alter, and repeal provided by "the National-Bank Act": *Provided*, That the whole amount of circulation withdrawn and redeemed from banks transacting business shall not exceed \$55,000,000, and that such circulation shall be withdrawn and redeemed as it shall be necessary to supply the circulation previously issued to the banks in those States having less than their apportionment: *And provided further*, That not more than \$30,000,000 shall be withdrawn and redeemed as herein contemplated during the fiscal year ending June 30th, 1875.¹

Act of June 23, 1874—Sundry civil appropriations.

For the maceration of national bank notes, United States notes, and other obligations of the United States authorized to be destroyed, ten thousand dollars; and that all such issues hereafter destroyed may be destroyed by maceration instead of burning to ashes, as now provided by law; and that so much of sections 24 and 43 of the National Currency Act as requires national bank notes to be burned to ashes is hereby repealed.²

Act of January 14, 1875—An act to provide for the resumption of specie payments.

* * * * *

SEC. 3. That section 5177 of the Revised Statutes, limiting the aggregate amount of circulating notes of national banking associations be, and is hereby, repealed; and each existing banking association may increase its circulating notes in accordance with existing law without respect to said aggregate limit; and the provisions of law for the withdrawal and redistribution of national bank currency among the several States and Territories are hereby repealed. * * * [For entire act, see page 29.]

Act of January 19, 1875—To remove the limitation restricting the circulation of banking associations issuing notes payable in gold.

Be it enacted, etc., That so much of section 5185 of the Revised Statutes of the United States as limits the circulation of banking associations, organized for the purpose of issuing notes payable in gold, severally to \$1,000,000, be and the same is hereby repealed; and each of such existing banking associations may increase its circulating notes, and new banking associations may be organized, in accordance with existing law, without respect to such limitation.

Act of February 8, 1875—To amend existing customs and internal revenue laws, and for other purposes.

* * * * *

SEC. 19.³ That every person, firm, association other than national bank associations, and every corporation, State bank, or State banking association, shall pay a tax of ten per centum on the amount of their own notes used for circulation and paid out by them.

SEC. 20. That every such person, firm, association, corporation, State bank, or State banking association, and also every national banking association, shall pay a like tax of ten per centum on the amount of notes of any person, firm, association other than a national banking association, or of any corporation, State bank, or State banking association, or of any town, city, or municipal corporation, used for circulation and paid out by them.

SEC. 21. That the amount of such circulating notes, and of the tax due thereon, shall be returned, and the tax paid at the same time, and in the same manner, and with like penalties for failure to return and pay the same, as provided by law for the return and payment of taxes on deposits, capital, and circulation, imposed by the existing provisions of internal revenue law.

Act of March 3, 1875—Legislative, Executive and Judicial Appropriations.

* * * * *

Provided, That the national bank notes shall be printed under the direction of the Secretary of the Treasury, and upon the distinctive or special paper which has been, or may hereafter be, adopted by him for printing United States notes.

* * * * *

¹ Superseded by Act of Jan. 14, 1875.

² See Sec. 5184, p. 38.

³ See Secs. 3412, 3413, page 40.

Act of February 14, 1880—Authorizing the conversion of national gold banks.

Be it enacted, etc., That any national gold bank organized under the provisions of the laws of the United States may, in the manner and subject to the provisions prescribed by section 5154 of the Revised Statutes of the United States, for the conversion of banks incorporated under the laws of any State, cease to be a gold bank, and become such an association as is authorized by section 5133, for carrying on the business of banking, and shall have the same powers and privileges, and shall be subject to the same duties, responsibilities and rules, in all respects, as are by law prescribed for such associations: *Provided*, That all certificates of organization which shall be issued under this act shall bear the date of the original organization of each bank respectively as a gold bank.

Act of July 12, 1882—To enable national banking associations to extend their corporate existence, and for other purposes.

Be it enacted, etc., That any national banking association organized under the acts of February 25th, 1863, June 3d, 1864, and February 14th, 1880, or under sections 5133, 5134, 5135, 5136 and 5154 of the Revised Statutes of the United States, may, at any time within the two years next previous to the date of the expiration of its corporate existence under present law, and with the approval of the Comptroller of the Currency, to be granted as hereinafter provided, extend its period of succession by amending its articles of association for a term of not more than twenty years from the expiration of the period of succession named in said articles of association, and shall have succession for such extended period, unless sooner dissolved by the act of shareholders owning two-thirds of its stock, or unless its franchise becomes forfeited by some violation of law, or unless hereafter modified or repealed.

* * * * *

SEC. 6. That the circulating notes of any association so extending the period of its succession which shall have been issued to it prior to such extension shall be redeemed at the Treasury of the United States, as provided in section 3 of the act of June 20th, 1874, entitled "An act fixing the amount of United States notes, providing for redistribution of national bank currency, and for other purposes," and such notes when redeemed shall be forwarded to the Comptroller of the Currency, and destroyed, as now provided by law; and at the end of three years from the date of the extension of the corporate existence of each bank the association so extended shall deposit lawful money with the Treasury of the United States sufficient to redeem the remainder of the circulation which was outstanding at the date of its extension, as provided in sections 5222, 5224, and 5225 of the Revised Statutes; and any gain that may arise from the failure to present such circulating notes for redemption shall inure to the benefit of the United States; and from time to time, as such notes are redeemed or lawful money deposited therefor as provided herein, new circulating notes shall be issued as provided by this act, bearing such devices, to be approved by the Secretary of the Treasury, as shall make them readily distinguishable from the circulating notes heretofore issued; *Provided, however*, That each banking association which shall obtain the benefit of this act shall reimburse to the Treasury the cost of preparing the plate or plates for such new circulating notes as shall be issued to it.

* * * * *

SEC. 8. That national banks now organized or hereafter organized, having a capital of \$150,000 or less, shall not be required to keep on deposit or deposit with the Treasurer of the United States bonds in excess of one-fourth of their capital stock as security for their circulating notes, but such banks shall keep on deposit or deposit with the Treasurer of the United States the amount of bonds as herein required; and such of those banks having on deposit bonds in excess of that amount are authorized to reduce their circulation by the deposit of lawful money as provided by law; *Provided* That the amount of such circulating notes shall not exceed in any case ninety per centum of the par value of the bonds deposited as herein provided: *Provided further*, That the national banks which shall hereafter make deposits of lawful money for the retirement in full of their circulation shall, at the time of their deposit, be assessed, for the cost of transporting and redeeming their notes then outstanding a sum equal to the average cost of the redemption of national-bank notes during the preceding year, and shall thereupon pay such assessment; and all national banks which have heretofore made or shall hereafter make deposits of lawful money for the reduction of their circulation, shall be assessed, and shall pay an assessment in the manner specified in section 3 of the act approved June 20th, 1874, for the cost of transporting and redeeming their notes redeemed from such deposits subsequently to June 30th, 1881.

SEC. 9. That any national banking association now organized, or hereafter organized, desiring to withdraw its circulating notes, upon a deposit of lawful money with the Treasurer of the United States, as provided in section 4 of the act of June 20th, 1874, entitled "An act fixing the amount of United States notes, providing for a redistribution of national-bank currency, and for other purposes," or as provided in this act, is authorized to deposit lawful money and withdraw a proportionate amount of the bonds held as security for its circulating notes in the order of such deposits; and no national bank which makes any deposit of lawful money in order to withdraw its circulating notes shall be entitled to receive any increase of its circulation for the period of six

months from the time it made such deposit of lawful money for the purpose aforesaid : *Provided*, That not more than \$3,000,000 of lawful money shall be deposited during any calendar month for this purpose : *And provided further*, That the provisions of this section shall not apply to bonds called for redemption by the Secretary of the Treasury, nor to the withdrawal of circulating notes in consequence thereof. ¹

SEC. 10. That upon a deposit of bonds as described by sections 5159 and 5160, except as modified by section 4 of an act entitled "An act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," approved June 20th, 1874, and as modified by section 8 of this act, the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank, registered and countersigned as provided by law, equal in amount to ninety per centum of the current market value, not exceeding par, of the United States bonds so transferred and delivered, and at no time shall the total amount of such notes issued to any such association exceed ninety per centum of the amount at such time actually paid in of its capital stock ; and the provisions of sections 5171 and 5176 of the Revised Statutes are hereby repealed.

SEC. 12. That the Secretary of the Treasury is authorized and directed to receive deposits of gold coin with the Treasurer or assistant treasurers of the United States, in sums not less than twenty dollars, and to issue certificates therefor in denominations of not less than twenty dollars each, corresponding with the denominations of United States notes. The coin deposited for or representing the certificates of deposit shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued ; and such certificates, as also silver certificates, when held by any national banking association, shall be counted as part of its lawful reserve ; and no national banking association shall be a member of any clearing-house in which such certificates shall not be receivable in the settlement of the clearing-house balances : *Provided*, That the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars ; and the provisions of section 5207 of the Revised Statutes shall be applicable to the certificates herein authorized and directed to be issued.

Act of March 3, 1887—To provide for additional reserve and central reserve cities.

Be it enacted, etc., That whenever three-fourths in number of the national banks located in any city of the United States having a population of 50,000 people shall make application to the Comptroller of the Currency, in writing, asking that the name of the city in which such banks are located shall be added to the cities named in sections 5191 and 5192 of the Revised Statutes, the Comptroller shall have authority to grant such request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, an amount equal to at least twenty-five per centum of its deposits, as provided in sections 5191 and 5195 of the Revised Statutes.

SEC. 2. That whenever three-fourths in number of the national banks located in any city of the United States having a population of 200,000 people shall make application to the Comptroller of the Currency, in writing, asking that such city may be a central reserve city, like the city of New York, in which one-half of the lawful money reserve of the national banks located in other reserve cities may be deposited, as provided in section 5195 of the Revised Statutes, the Comptroller shall have authority, with the approval of the Secretary of the Treasury, to grant such request, and every bank located in such city shall at all times thereafter have on hand, in lawful money of the United States, twenty-five per centum of its deposits, as provided in section 5191 of the Revised Statutes.

SEC. 3. That section 3 of the act of January 14, 1875, entitled an "An act to provide for the resumption of specie payments, be, and the same is hereby, amended by adding after the words "New York" the words "and the city of San Francisco, California." ²

Act of July 14, 1890—Directing the purchase of silver bullion, etc.

SEC. 6. That upon the passage of this act the balances standing with the Treasurer of the United States to the respective credits of national banks for deposits made to redeem the circulating notes of such banks, and all deposits thereafter received for like purpose, shall be covered into the Treasury as a miscellaneous receipt, and the Treasury of the United States shall redeem from the general cash in the Treasury the circulating notes of said banks which may come into his possession subject to redemption ; and upon the certificate of the Comptroller of the Currency that such notes have been received by him and that they have been destroyed and that no new notes will be issued in their place, reimbursement of their amount shall be made to the Treasurer, under such regulations as the Secretary of the Treasury may prescribe, from an appropriation hereby created, to be known as "National bank notes : Redemption account," but the provisions

¹ See Act July 14, 1890, page 44.

² See page 30.

of this act shall not apply to the deposits received under section 3 of the act of June 20th, 1874, requiring every National bank to keep in lawful money with the Treasurer of the United States a sum equal to five per centum of its circulation, to be held and used for the redemption of its circulating notes; and the balance remaining of the deposits so covered shall, at the close of each month, be reported on the monthly public debt statement as debt of the United States bearing no interest. See Act of July 12, 1892, and June 20, 1874.

[For remainder of the act see under Coinage.]

APPENDIX.

COINS OF THE UNITED STATES, AUTHORITY FOR COINING, AND CHANGES IN WEIGHT AND FINENESS, TOTAL AMOUNT COINED, LEGAL TENDER QUALITY.

Gold Coins.

DOUBLE EAGLES.

Authorized to be coined, act of March 3, 1849. Weight, 516 grains; fineness, .900.	Total amount coined to December 31, 1894, \$1,210,- 703,700. Full legal tender.
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EAGLES.

Authorized to be coined, act of April 2, 1792. Weight, 270 grains; fineness, .916 $\frac{2}{3}$. Weight changed, act of June 28, 1834, to 258 grains. Fineness changed, act of June 28, 1834, to .899,225.	Fineness changed, act of January 18, 1837, to .900. Total amount coined to December 31, 1894, \$259,- 127,230. Full legal tender.
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HALF EAGLES.

Authorized to be coined, act of April 2, 1792. Weight, 135 grains; fineness, .916 $\frac{2}{3}$. Weight changed, act of June 28, 1834, to 129 grains. Fineness changed, act of June 28, 1834, to .899,225.	Fineness changed, act of January 18, 1837, to .900. Total amount coined to December 31, 1894, \$212,- 921,675. Full legal tender.
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QUARTER EAGLE.

Authorized to be coined, act of April 2, 1792. Weight, 67.5 grains; fineness, .916 $\frac{2}{3}$. Weight changed, act of June 28, 1834, to 64.5 grains. Fineness changed, act of June 28, 1834, to .899,225.	Fineness changed, act of January 18, 1837, to .900. Total amount coined to December 31, 1894, \$28,681,- 005. Full legal tender.
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THREE-DOLLAR PIECE.

Authorized to be coined, act of February 21, 1853. Weight, 77.4 grains; fineness, .900. Coinage discontinued, act of September 26, 1890.	Total amount coined, \$1,619,376. Full legal tender.
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ONE DOLLAR.

Authorized to be coined, act March 3, 1849. Weight, 25.8 grains; fineness, .900. Coinage discontinued, act of September 26, 1890.	Total amount coined, \$19,499,337. Full legal tender.
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Silver Coins.

DOLLAR.

Authorized to be coined, act of April 2, 1792. Weight, 416 grains; fineness, .892.4. Weight changed, act of January 18, 1837, to 412 $\frac{1}{2}$ grains. Fineness changed, act of January 18, 1837, to .900. Coinage discontinued, act of February 12, 1873.	Total amount coined to February 12, 1873, \$8,081, 238. Coinage reauthorized, act of February 28, 1878. Coinage discontinued after July 1, 1891, except for certain purposes, act July 14, 1890. Amount coined to December 31, 1894, \$430,457,987. Full legal tender.
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TRADE DOLLAR.

Authorized to be coined, act of February 12, 1873. Weight, 420 grains; fineness, .4.900. Legal tender limited to \$5, act June 22, 1874 (Rev. Stats.).	Coinage limited to export demand and legal-tender quality repealed, joint resolution, July 22, 1876 Coinage discontinued, act February 19, 1887. Total amount coined, \$35,965,924.
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HALF DOLLAR.

Authorized to be coined, act of April 2, 1792. Weight, 208 grains; fineness, .892.4. Weight changed, act of January 18, 1837, to 206 $\frac{1}{4}$ grains. Fineness changed, act of January 18, 1837, to .900. Weight changed, act of February 21, 1853, to 192 grains.	Weight changed, act of February 12, 1873, to 12 $\frac{1}{2}$ grams, or 192.9 grains. Total amount coined to December 31, 1894, \$132,- 259,051. Legal tender, \$10.
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COLUMBIAN HALF DOLLAR.

Authorized to be coined, act of August 5, 1892. Weight, 192.9 grains; fineness, .900.	Total amount coined, \$2,501,052.50. Legal tender, \$10.
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QUARTER DOLLAR.

Authorized to be coined, act of April 2, 1792.	Weight changed, act of February 12, 1873, to $6\frac{1}{4}$ grams, or 96.45 grains.
Weight, 104 grains ; fineness, .892.4.	Total amount coined to December 31, 1894, \$48,183,179.25.
Weight changed, act of January 18, 1837, to $103\frac{1}{8}$ grains.	Legal tender, \$10.
Fineness changed, act of January 18, 1837, to .900.	
Weight changed, act of February 21, 1853, to 96 grains.	

COLUMBIAN QUARTER DOLLAR.

Authorized to be coined, act of March 3, 1893.	The total amount coined, \$10,005.75.
Weight, 96.45 grains ; fineness, .900.	Legal tender, \$10.

TWENTY-CENT PIECE.

Authorized to be coined, act of March 3, 1875.	Coinage prohibited, act of May 2, 1878.
Weight, 5 grams, or 77.16 grains ; fineness, .900.	Total amount coined, \$271,000.

DIME.

Authorized to be coined, act of April 2, 1792.	Weight changed, act of February 12, 1873, to 2½ grams, or 38.58 grains.
Weight, 41.6 grains ; fineness, .892.4.	Total amount coined to December 31, 1894, \$28,610,171.30.
Weight changed, act of January 18, 1837, to $41\frac{1}{4}$ grains.	Legal tender, \$10.
Fineness changed, act of January 18, 1837, to .900.	
Weight changed, act of February 21, 1853, to 38.4 grains.	

HALF DIME.

Authorized to be coined, act of April 2, 1792.	Weight changed, act of February 21, 1853, to 19.2 grains.
Weight, 20.8 grains ; fineness, .892.4.	Coinage discontinued, act of February 12, 1873.
Weight changed, act of January 18, 1837, to $20\frac{5}{8}$ grains.	Total amount coined, \$4,880,219.40.
Fineness changed, act of January 18, 1837, to .900.	

THREE-CENT PIECE.

Authorized to be coined, act of March 3, 1851.	Fineness changed, act of March 3, 1853, to .900.
Weight, $12\frac{3}{8}$ grains ; fineness, .750.	Coinage discontinued, act of February 12, 1873.
Weight changed, act of March 3, 1853, to 11.52 grains.	Total amount coined, \$1,282,087.20.

Minor Coins.

FIVE CENT (NICKEL).

Authorized to be coined, act of May 16, 1866.	Total amount coined to December 31, 1894, \$13,553,730.50.
Weight, 77.16 grains, composed of 75 per cent. copper and 25 per cent. nickel.	Legal tender for \$1, but reduced to 25 cents by act of February 12, 1873.

THREE CENT (NICKEL).

Authorized to be coined, act of March 3, 1865.	Legal tender for 60 cents, but reduced to 25 cents by act February 12, 1873.
Weight, 30 grains, composed of 75 per cent. copper and 25 per cent. nickel.	Coinage discontinued, act of September 26, 1890.
Total amount coined, \$941,349.48.	

TWO CENT (BRONZE).

Authorized to be coined, act of April 22, 1864.	Coinage discontinued, act of February 12, 1873.
Weight, 96 grains, composed of 95 per cent. copper and 5 per cent. tin and zinc.	Total amount coined, \$912,020.

CENT (COPPER).

Authorized to be coined, act of April 2, 1792.	Weight changed by proclamation of the President, January 26, 1795, in conformity with act of March 3, 1795, to 168 grains.
Weight, 264 grains.	Coinage discontinued, act of February 21, 1857.
Weight changed, act of January 14, 1793, to 208 grains.	Total amount coined, \$1,562,887.44.

CENT (NICKEL).

Authorized to be coined, act of February 21, 1837.	Coinage discontinued, act of April 22, 1864.
Weight, 72 grains, composed of 88 per cent. copper and 12 per cent. nickel.	Total amount coined, \$2,007,720.

CENT (BRONZE).

Coinage authorized, act of April 22, 1864.	Total amount coined to December 31, 1894, \$7,463,898.26.
Weight, 48 grains, composed of 95 per cent. copper and 5 per cent. tin and zinc.	Legal tender, 25 cents.

HALF CENT (COPPER).

Authorized to be coined, act of April 2, 1792.	Weight changed by proclamation of the President, January 26, 1796, in conformity with act of March 3, 1795, to 84 grains.
Weight, 132 grains.	Coinage discontinued, act of February 21, 1857.
Weight changed, act of January 14, 1793, to 101 grains.	Total amount coined, \$39,926.11.

INDEX.

- Abrasion*, gold coins, 13.
Accounts of bullion and coinage, 7, 14.
Alloy, coins, 3, 6, 11, 12, 13, 46.
Appendix, 45-46.
Assaying of Bullion, 14; coins, 3; standard for (1792), 4.
Bank, currency laws, 31-44.
Bank of U. S., First and Second, 31-34.
Banks (see *National Banks*, *Gold Banks*, *State Banks*), U.S. Directors and President, 31; Charter, 31, 32; Capital Stock, 31-33; Not to suspend Special Payments, 33; Bonus, 33; Branches of, 36; Revised Statutes, 36-40; State, tax on, 35-40; to become National banks, 33, 35.
Bills of Credit, 2.
Bimetallism, 18, 22.
"Bland-Allison" Act, 18, 22.
Bonds (see *Circulation*), 23, 36, 41, 43; ant. of on deposit reduced, 41, 43; Cancellation of, 34; depreciation of, 37; forfeiture of, 33; interest on, 23; receivable, 36; to secure Treasury notes, 23; to equal $\frac{1}{2}$ Bank's Capital, 36.
Bonus by Bank of U. S., 33.
Branches of banks, 36.
Bronze coins, 11, 12, 13, 17, 46; *Legal Tender*, 11, 12, 17.
Bullion, accounts of and coinage of, 7; amount of, received not less than \$100, 7; assaying of, 3, 14; certificates, 10; issued, 17; deposits, 17; deposited for coin, 6; depositors' rights, 14; discounts or interest not chargeable, 8; exchanged for coin, 3; fineness of, 14; gold, 14; how weighed, 7; memorandum, 3; payment of coins for, 7; refusal of, 7; Secretary of Treasury to furnish money for exchanges, 3; Sherman Act (1830), 20; silver, 14, 15; purchase of silver, 20; transportation charges paid on coins, 15; unpurged, how exchanged, 16.
Bureau, printing and engraving, 17; treasury, 36, 37.
Cancellation of fractional currency, 11, 29; of U. S. notes, 26, 28, 29, 30; of Treasury notes, 25.
Cent, 2, 7, 10, 46; five-cent piece, 12; a legal tender, 11, 12; three cents, 9, 10, 46; two cents, 11, 46; legal tender, 11, 12.
Certificates authorized on coin, 31; currency, § 5194, 39; deposit of bonds, 23, 24; deposits of gold, 17, 26, 44; when to stop, 44; issued for bullion, 17, 20; silver, 18, 20; receivable in clearing house settlements, 41; denominations of, 20; of indebtedness, 24; temporary loan, 27, 28, 29, 35.
Charges, gold bullion, 3, 14, 30; for coining, 7, 10, 17; silver bullion, 10, 14, 18.
Charter, First Bank of U. S., 31, 32; Second Bank, 32; National banks, 36.
Circulation, 43; of National banks apportioned, 34, 37, 38; Government lien upon bonds for, 40; equalization of circulation, 41; increased, 35; limited, 35; National Bank notes less than \$1 prohibited, 25; issued to new associations, 42; notes reduced, 37, 41; redemption how managed, 43; requisitions upon National banks for, 41; State banks, tax on, 40, 42; to equalize, 38; Treasury notes limited, 34; reduction suspended, 23; withdrawal of, 41.
Circulating notes, penalty on, 42; redemption of, 44.
Coin, assay of, 3; purchase by Secretary Treasury, 17; to purchase, 1862, 24.
Coinage, account of, 7; amount of, 45, 46; anew of foreign coins, 16; of bullion in dollars (1878), 18; charge, 3, 14; copper, 2, 4; regulation of, 4; deviations in (1837), 7; for foreign countries, 13; gold dollars and double eagles, 8; of gold without charge (1875), 30; limited, 13; laws, 2-22; minor, to cease, 15; Revised Statutes, 13-17; State forbidden to coin money, 2; three dollar discontinued, 21; Twenty-cent pieces abolished in 1878, 19.
Coins, alloy of, 3, 6, 11, 12, 13, 46; assayed standard 1792, 4; bronze 11, 12, 13, 17, 46; bullion deposited for, 6; certificates authorized, 31; commission to examine, 8, 16; copper, 11; delivery of, 8; copper, weight of, 6; designs, 2, 6, 14, 21; reduced by President, 5; debasing, 4; denominations, 2, 45-46; delivery of, 3; duties payable in, 23; five-cent piece, 10, 12; fineness of coins, 14; judged by commission, 16; foreign coins receivable, 10; foreign value regulated, 2, 4; legal tender, 4, 5; not legal tender, 10 (1874), 17; recoinage of foreign coins, 16; fractional, 30; two-cent piece, 11, 46; *Gold Coins*, 2, 12, 13, 14, 45; deviations, 15; change of standard and weight, 6; legal tender, 8, 12, 17; rate of anterior to, (1834), 6; recoinage of, 13; three-dollar piece, 9, 45; weight of 1834-37, 6; *Minor Coins*, 4, 5, 46; how delivered and distributed, 15; legal tender (1875), 17; redemption of, 15, 17; *Nickel*, legal tender, 11, 12, 17; coins receivable at Treasury, 17; payment of, for bullion, 7, 15; *Silver coins*, denomination, 17, 45-46; enumeration, 13; legal tender, 8, 1874, 17; subsidiary legal tender, (1874), 17; three-cent piece, 9, 18, 11; twenty-cent piece (1874), 17; abolished 1878, 19; weighing, 15; weights of gold and silver (1792), 3; (1837), 6; (1874), 13; gold weight reduced (1834), 6; withdrawal of gold, 13 (see *Standard*, *Appendix*), 45-46.
Commission, to examine coins, 8, 14, 16.
Commissioners, to Conference, 18.
Compound Interest notes, 23.
Comptroller, 41; duties in closing up National banks, 40; National banks to report to, 35, 39; to destroy notes, 43; to report to Secretary of Treasury, 29; to furnish plates, 37; to appoint receivers, 40; to issue notes to new associations, 42.
Conference, bimetallic, 18.
Conformity of gold and silver coins, 3, 11, 16.
Congress, power to coin money, 2; Director of Mint to report to, 3.
Constitutional provisions, 2.
Conversion of gold banks, 43; State banks into National, 34.
Copper (see *Coins and Coinage*).
Counterfeiting cents, 11; foreign and United States coins, 6, 8, 21; also pages 27, 29, 32, 37; appropriation for detecting, 25.
Currency, bank, laws pertaining to, 31-44.
Currency, Fractional, 11, 17, 26, 29; attempts to prohibit, 25; increased to 50m., 18; kinds of, etc., 29; limited, 26, 27; was less than 5c., 11; paid by fractional coins, 30; redemption of, 29; redaction of suspended 1868, 28; Secretary of Treasury right to issue, 26.
Currency, Government, 22-31; Bureau to regulate, 31; limited, 31; transfer from State to National banks, 33; Revised Statutes, 29, 30; reduction of suspended (1868), 25, 28.
Currency, National. See *Government Currency*, *Circulation*, *National Bank notes*, *United States notes*.
Denominations (see various money), 45, 46; National bank notes, 37; silver coins, 17; Treasury notes, 22, 27; U. S. notes, 24.
Deposit, bonds, 36; amount of reduced, 41, 43; certificates of, 23, 27.
Depositors, of bullion, rights of, 14; payment of coin to, 15.
Deposits, in United States Treasury, 39, 40, 41; interest on, 27; National banks, 36; Reserve determined by, 40; Treasury notes, 26.
Designs of coins, 2, 6, 14, 21, 26.
Dies, obverse, destroyed each year, 16.
Dimes and half dimes, 2, 6, 9, 13, 17, 46.
Director of Mint, 2, 3, 6.
Discount or interest not chargeable on bullion, 8.
Dollar, 11, 12, 13, 20, 21, 22; deviations from, 7, 15; half, 2, 6, 9; gold, 8; legal-tender, 6, 8, 22; Mexican, 10; quarter, 2, 6, 9, 13, 15; silver standard, 3, 15, 18; Spanish dollar, 4, 5; trade dollar coined into standard, 20; legal tender, 13; not legal tender (1876), 17; three dollar established, 9; discontinued, 21; weight of, 2, 6, 9, 45; half and quarter (1857), 6; (1853), 9, 45, 46.
Duties, payable in coin, 23; in certificates, 18, 41; in Sherman notes, 21.
Eagles, double, half and quarter, 2, 6, 8, 15, 45; legal tender, 8.
Embezzlement, penalty for, 4.
England, Exchange between United States, 16; rates of coins, 4, 5.
Examination of National banks, 40.
Exchange, bullion unpurged, 16; bullion for coin, 3; silver coins for gold coins, 14, 15; U. S. State notes for bonds, 24; ceases, 26; Treasury notes for bonds, 27; of Treasury notes, 26; United States and England (see *Sovereign*), 16.
Expenses, of Mint, how met, 2, 3; refusing, 3; assorting and transporting notes, 37, 41.

- Pineness*, bullion, 14; coins, 3, 11; Commissioners judge of, 8, 14, 16.
- Foreign Coins*, legal-tender value, 4, 5; receivable, 10; value regulated, 2.
- Fractional Currency* (see *Currency*, *Fractional*).
- France*, coins of, how rated, 4, 5.
- Gold Banks*, 38, 42; conversion, 43; reserve of, 39.
- Gold Bullion*, 14; bars of, 9, 10, 14, 15, 19, 21; rights of depositors, 14.
- Gold Certificates*, 17, 26, 44; when to cease, 44.
- Gold Coins*, 2; abrasion of, 13; deviations, 15; enumeration of, 2, 6, 12, 13, 45; exchange for silver coins, 14, 15; France, 4, 5; Great Britain, 4, 5; legal tender (1792), 3, (1837) 6, 12, 17; rate anterior to (1834), 6; received for gold bars, 19; standard (1834), (1837), 6; weight reduced (1834), 6; weighing of, 15; withdrawal of, after 20 years, 13.
- Gold Notes*, how issued, 38.
- Great Britain*, coins of, how rated, 4, 5.
- Interest*, on Treasury Notes, 22, 24, 25, 26, 27; on temporary loan certificates, 28, 35.
- Laws*, bank currency, 31-44; coinage, 2-22; currency, government, 22, 31.
- Legal Tender*, bronze coins and nickel coins, 11, 12, 17; cents, 10, 11, 12, 17, 46; five cents, 12, 17; three cents, 10, 17; two cents, 11; double eagle, eagle, 8, 17; foreign coins, not legal tender (1874), 17; foreign coins, value of, 4, 5; gold coins (1792), 3, (1837), 6, 12, (1874), 17; minor coins (1874), 17; national bank notes (*quasi*), 38, 40; notes, payment in specie, 30; silver coins (1792), 3; (1837), 6, 12; (1874), 17; standard silver dollar, 18; States restrained from issuing, 2; subsidiary coins (1879), 19; trade dollar, 13, 17; treasury notes, 25, 27-30; national legal tender, 30; United States notes, 24, 30.
- Loans*, national, authorized, 22.
- Mexican Dollar*, 10.
- Minor Coins* (see *Coins* and *Coinage*), 46.
- Mint* additional legislation (1837), 6; charges for refining, 7; Director to report to Congress, 3, 6; established, 2; expenses, how met, 2; location, 13; officers, 2, 6; duties of, 2.
- Money*, of Account in U. S., 4, 16; Int. or discount not chargeable, 8.
- National Banks*, bonds to be deposited, 36; circulation apportioned, 34, 37, 38, 41; circulation limited, 35; circulation reduced, 37, 41; withdrawal of circulation, 41, 44; corporate existence extended, 43; deposits in U. S. Treasury, 40; depreciation of bonds to be made up, 37; duties of Comptroller, 40; examination of, 40; government lien upon bonds, 40; how organized, 33, 34, 36; interest on bonds receivable, 36; limitations on amount of circulation repealed, 42; mutilated notes of, 38; new associations, 41, 42; receivers, how appointed, 40; place of business, 39; requisitions upon for circulation, 41; reports to Comptroller, 34, 39; reports, 34, 35, 39, 40; reserves, 39; reserve cities, 39; for country banks, 39; taxes on, 40; transfer from State banks, 33; treasury notes not legal tender in redemption of issues, 27, 30.
- National Bank Notes*, denominations of, 37; increased, 3; issues, conditions of, 33, 34; how printed, 4; limited, 1864, 34; limitation repealed, 42; *quasi* legal tender, 38, 40; redemption of, 43; and reissue, 43; to equalize circulation, 38; taxes on, 40.
- Notes*, circulating, 41; circulation less than \$1 prohibited, 25; compound interest, redemption of, 23; gold, how issued, 38; legal-tender, expenses of assorting and transporting, 37, 41; form of, 37; limitation of, 37; mutilated notes to be destroyed, 38, 41; payment in specie, 30; penalty on circulating, 42; post, forbidden, 38; redemption, 41; withdrawal of, 41.
- Penalty* on certain circulating notes, 42; debasing—coins, embezzlement of, 4; undue preference, 3.
- Portugal*, Coins of, how rated, 4, 5.
- Post Notes*, forbidden, 38.
- Pound Sterling*, 16.
- Profit Fund*, what for, 14.
- Rule*, gold coin anterior (1834), 6; rates of foreign coins, 4, 5; of interest bonds, U. S. notes, treasury notes, 25, 26, 27; pound sterling, 16.
- Ratio*, gold to silver (1792), 2.
- Recoinage*, foreign coins, 10, 16; gold coin after 20 years, 13; trade dollars, 20, 45, 46.
- Redemption*, account, 44; compound interest notes, 28; currency, fractional, 29; mutilated notes, 33, 41 (see *national banks*); small coins, 15, 17; token coins, 12.
- Refining*, charges for, 3, 5, 7, 14, 17, 30; expenses of, 2, 3.
- Reports*, to Congress, 3; National Banks, 34, 35, 40.
- Reserve*, amount of, 39; cities, 39, 44; fund merged into general debt of U. S., 45; payment of National Bank notes, 38; to be determined by deposits, 40; temporary loan certificates, a part of, 28.
- Revised Statutes*: Banks, 36-40; coinage, 13-17; currency, 29, 30.
- Secretary of Treasury*, authorized to borrow, 22, 27; Comptroller to report to, 29; right to issue fractional currency, 17, 26; to furnish money to make exchanges for bullion, 3; to purchase coin, 17; 1862, 21; prints National Bank notes, 42; right to make reduction of currency suspended, 29; to receive deposits, 39; to receive bullion, 17.
- Seigniorage* to be paid into Treasury, 18.
- Sherman Act* (see *Bullion*), 20; conditions, 20; repealed, 20; silver bullion, purchase of, 18, 20; silver certificates (1878), 18, 20; denominations of, 20.
- Silver or gold*, bars of, 9, 10, 14, 15, 19, 21.
- Silver Certificates*, 18, 20, 31; denominations of, 29, 31; counted as reserve by National banks receivable in clearing house settlements, 44.
- Silver Coins*, authorized, 2; dollar, 18; legal tender, 18; exchange for gold coins, 14, 15; enumeration of, 13; legal tender (1792), 3, (1837) 6, 13, 18; standard (1837), 6; subsidiary, 9, 15; three-cent piece, 9, 10, 11; transportation of, 20; weight of, 6, 13, 45, 46; weighing of, 15.
- Silver*, profit fund, 14.
- Silver Ingots*, cast at option, 9.
- Sovereign*, exchange between U. S. and England, 6; value of, 16.
- Spain*, coins of, how rated, 4, 5.
- Spanish Dollar* excepted, 5.
- Specie Payments*, 30; not to suspend (see *Bank*), 33; resumption of by U. S., 29, 30.
- Standard*, coins to conform to, 3, 16, 18; dollars coined from trade, 20; legal tender, 18; gold and silver coins, 6, 13, 45, 46; trade dollars standard, 20; Troy pound, 16.
- State Bank notes*, tax on, 34, 35, 40, 42; not to coin money, 2; restrained from issuing legal tender, 2; to become National banks, 34; to retain branches, 36.
- Tax*, circulating notes, 42.
- Taxes*, National Banks, 40; temporary loan certificates, 27, 28, 29; Treasury notes exempt, 27.
- Three-cent pieces*, nickel, 11, 14, 21, 46.
- Token Coins*, redemption of, 12.
- Trade Dollar*, legal tender, 13; not legal tender, 17; made standard, 20; recoined into standard, 20.
- Transportation*, securities, bonds, notes, etc., 19, 37, 41; of silver coin, 20.
- Treasury*, coins receivable, 17; deposit, 20, 39; seigniorage to be paid in, 18; may receive deposit, 39; National Bank notes, in, 40; Secretary of, prints National Bank notes, 42.
- Treasury Notes*, additional issues, 22; amount (1866), 28; authorized, 22; bonds issued to secure, 23; cancellation of, 25; conditions of (1861), 22, (1863) 24, (1866) 27, 28; deposit, 26; deposit of limited, 26; denominations of, 22, 27; disposal of, 25; exempt from taxation, 27; form of, 22; how issued, 22; interest on, 22; in exchange for coin, 22; legal tender, 25, 27, 30; limited, 26; when not legal tender, 20; payable on demand, 23; treasurer to receive in exchange for bonds, 26, 27; where payable, 22.
- Twenty-cent piece*, 17; coinage of abolished (1878), 19, 46.
- United States*, banks of, 31-34; mints, 2, 6, 13.
- United States Notes*, additional issue (1862), 23, 24; (1863), 25; amount of 1862, 33; amount of, fixed, 29; cancellation of, 26, 28, 29, 30; denominations and conditions of, 23, 24; guaranteed, 29; how receivable, 23; interest on bonds to be paid in coin, 23; issued in lieu of retired notes, 26; legal tender, 24-30; reserve to pay deposits of, 24; retirement of limited, 30; right of exchange, 24; ceases, 26; temporary deposits of, 21; to be reissued, 29.
- Weighing*, bullion, 7; gold and silver coins, 15.
- Weight*, copper coins, 2, 6, 7, 10, 46; deviations in coinage, 7; eagle, double, half, quarter, 8, 15, 45, 46; gold coins (1792), 2; (1837), 6; (1874), 13, 15; reduced (1834), 6; half and quarter dollar, 9; minor coins, 2, 10, 11, 12, 46; silver coins (1837), 6; (1874), 13, 45, 46; standard dollar, 18; standard troy, 16.

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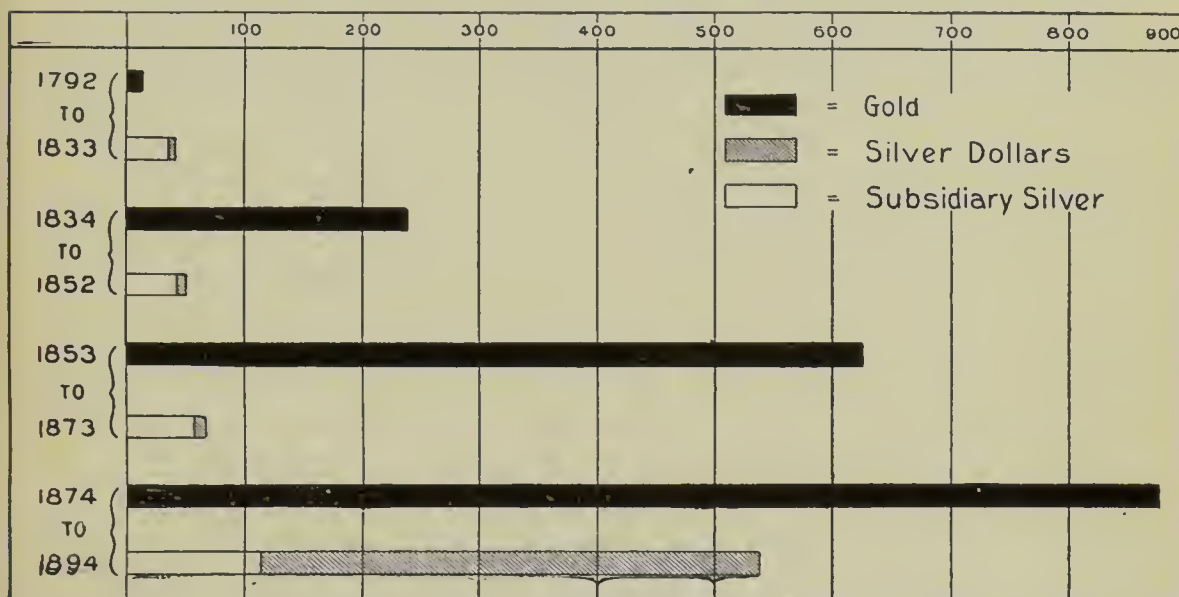
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Each number contains a **special discussion** of some Sound Currency question.

Coinage of Gold and Silver in the United States, 1792-1894, by Periods.



U. S. CURRENCY STATISTICS.

(SECOND EDITION.)

	PAGE
INTRODUCTION AND GENERAL REFERENCES.....	49
BANKS—NATIONAL, GENERAL STATISTICS, 1863-1895.....	50
STATE BANKS--GENERAL STATISTICS, 1833-1863 AND 1893-4.....	52
WORLD'S BANKS OF ISSUE.....	53
BONDS. UNITED STATES, PRICES OF, IN 1894 AND 1895.....	54
CIRCULATION—AGGREGATE AND PER CAPITA, 1860 TO 1895 INCLUSIVE.....	55
TOTAL COIN AND PAPER, 1860-1895.....	56
PAPER MONEY OUTSTANDING, 1860-1895.....	57
WORLD'S STOCKS OF MONEY, 1895.....	58
CLEARING HOUSES—NEW YORK CLEARING HOUSE, 1854-1895.....	60
CLEARING HOUSES OF U. S., 1892-1895.....	60
COINAGE—UNITED STATES MINTS, 1792-1894, ANNUALLY AND BY PERIODS... OF THE WORLD.....	61 64
CREDIT INSTRUMENTS.....	65
GOLD—CURRENCY VALUE OF, 1862-1878.....	66
NET GOLD IN TREASURY AND CUSTOMS RECEIPTS, 1879-1895.....	67
GOLD AND SILVER—PRODUCTION, 1493-1894.....	69
OWNERSHIP IN THE U. S.....	70
IMPORTS AND EXPORTS, 1864-1895.....	70
PRICES AND WAGES—IN THE UNITED STATES, 1860-1891.....	71
PUBLIC DEBT OF THE UNITED STATES.....	73
SILVER—PURCHASES, ETC., 1878-1894.....	75
RATIO OF SILVER TO GOLD, 1687-1894.....	77
PRICE SINCE 1833 AND BULLION VALUE OF DOLLAR.....	79

INTRODUCTION.

This pamphlet is designed to meet the needs of those who wish to have at hand in compact form the most reliable statistics available upon currency topics. The strict limitation of space is responsible for the omission of statistics upon many points which might otherwise have been included; but it is hoped that the references to other sources may more than compensate for any lack.

General attention is directed to the statistical publications of the United States, which, aside from being the main basis of this compilation, are the works most likely to afford information upon details of the currency question not possible to be included here.*

BANKS.

Number, Capital, Circulation, Deposits, etc., of National Banks, 1863-1895.

OCTOBER.	NUMBER OF BANKS.	CAPITAL.	SURPLUS.	CIRCULA- TION. <i>a</i>	LOANS.	DEPOS- ITS.	RESERVE.	
							Legal Tenders.	Specie.
Year.		Millions.	Millions.	Millions.	Millions.	Millions.	Millions.	Millions.
1863.....	66	\$7.2	....	....	\$5.5	\$8.5	\$1.4 ^b	....
1864.....	508	86.8	\$2.0	\$45.2	93.2	122.2	44.8 ^b	....
1865.....	1,513	393.2	38.7	171.3	487.2	549	190	\$18.1
1866.....	1,644	415.5	53.4	280.3	603.3	598	205.8	9.2
1867.....	1,642	420.1	66.7	293.9	609.7	568.2	100.6	12.8
1868.....	1,643	420.6	78	295.8	657.7	603.1	92.5	13
1869.....	1,617	426.4	86.2	293.6	682.9	523	83.7	23
1870.....	1,615	430.4	94.1	291.8	715.9	512.8	79.3	18.5
1871.....	1,767	458.3	101.1	315.5	831.6	626.8	109.4	13.3
1872.....	1,919	479.6	110.3	333.5	877.2	625.6	111.8	10.2
1873.....	1,976	491.1	120.3	339.1	944.2	638.6	113.1	19.9
1874.....	2,034	493.8	129	333.2	954.4	680.3	112.8	21.2
1875.....	2,088	504.8	134.4	318.3	984.7	675.4	125.3	8.1
1876.....	2,089	499.8	132.2	291.5	931.3	662.4	113.4	21.4
1877.....	2,080	479.5	122.8	291.9	991.9	626.7	99.3	22.7
1878.....	2,053	466.1	116.9	301.9	834	665.2	97.1	30.7
1879.....	2,048	454.1	114.8	313.8	878.5	734.2	96	42.2
1880.....	2,030	457.6	120.5	317.3	1,041	884.4	64.3	109.3
1881.....	2,132	463.8	128.1	320.2	1,173.8	1,083.1	59.9	114.3
1882.....	2,239	483.1	132	314.7	1,243.2	1,134.9	71.9	102.9
1883.....	2,501	509.7	142	310.5	1,309.2	1,063.6	80.6	107.8
1884.....	2,664	524.3	147.1	289.8	1,245.3	939.3	91.2	128.6
1885.....	2,714	527.5	146.6	268.9	1,306.1	1,116.6	88.5	174.9
1886.....	2,852	548.2	157.2	228.7	1,451	1,189.5	68.7	156.4
1887.....	3,049	578.5	173.9	167.3	1,587.5	1,274.7	79.9	165.1
1888.....	3,140	592.6	185.5	151.7	1,684.2	1,406.4	90	178.1
1889.....	3,290	612.6	197.4	128.4	1,817.3	1,522	99.7	164.3
1890.....	3,540	650.4	213.6	122.9	1,986.1	1,594.2	86.7	195.9
1891.....	3,677	677.4	227.6	131.3	2,005.5	1,608.6	113.8	183.5
1892.....	3,773	686.6	233.9	143.4	2,171	1,779.3	118.3	209.1
1893.....	3,781	678.5	246.7	182.9	1,843.6	1,465.4	121.7	224.7
1894.....	3,755	668.9	245.2	172.3	2,007.1	1,712.2	165.6	237.3
1895.....	3,712	657.1	246.5	182.5	2,059.4	1,715.2	143.9	196.2

a Includes only the circulation for which the banks were themselves responsible, and is in addition to the notes of insolvent banks, of those in voluntary liquidation and of those which have deposited lawful money for the purpose of retiring circulation.

b Includes specie and other lawful money.

* *e. g.* :—

Finance Report.—The annual report of the Secretary of the Treasury, containing not only the report of the Secretary, but the separate reports of the several Bureaus of the Treasury Department—in some cases shorn of a part of their tables.

Report of the Comptroller of the Currency.—Published annually in two volumes, the first of which contains the general report (also digest of National Bank Decisions and several valuable tables not included in the Finance Report), and the second volume a detailed report from each National Bank.

Report of Director of the Mint.—The separate edition of this usually differs from that included in the Finance Report only in the addition of an index.

Report on the Production of Gold and Silver in the United States.—Issued annually by the Director of the Mint. Covers the calendar year next preceding.

Statistical Abstract.—Issued annually by the Bureau of Statistics, Treasury Department. Contains summary statistical tables upon currency as well as other topics, compiled mainly from other Government publications.

Aldrich Report on Wages and Prices.—By the United States Senate Committee on Finance in 1892. Three volumes deal with retail prices in the years 1889-91; and four volumes with wholesale prices, wages and rates of transportation from 1840 to 1891. This latter is the most exhaustive study of its kind yet published.

Coinage Laws of the United States, 1792-1894.—(Washington, 1894. 847 pp., 8vo.) Prepared under the direction of the United States Senate Committee on Finance. Contains much statistical data, compiled in the main from official sources.

Treasury Department Circular No. 123, July 1, 1896.—Information respecting U. S. Bonds, paper currency, coin, production of precious metals, &c., 54 pp.

Abstract of Reports made to the Comptroller of the Currency, showing the condition of the National Banks in the United States at the close of business on Saturday, the 28th of September, 1895. [Total Number of Banks 3,712.]

[Comptroller of the Currency, October 30, 1895.]

RESOURCES.	DOLLARS.	LIABILITIES.	DOLLARS.
Loans and Discounts.....	2,041,846,233 40	Capital Stock paid in.....	657,135,498 65
Overdrafts.....	17,562,168 87	Surplus Fund.....	246,448,426 38
U. S. Bonds to secure Circulation..	208,682,765 00	Undivided Profits, less Expenses	
U. S. Bonds to secure U. S. Deposits.	15,328,000 00	and Taxes Paid.....	90,439,924 48
U. S. Bonds on hand.....	10,790,350 00	National Bank	
Premiums on U. S. Bonds.....	16,469,109 73	Notes issued. *\$187,243,732 00	
Stocks, Securities, etc.....	195,028,085 35	Less amount on	
Banking House, Furniture, etc.....	78,244,849 75	hand.....	4,762,121 50
Other Real Estate and Mortgages	25,527,027 04		
Due from National Banks (not Re-		Amount outstanding.....	182,481,610 50
serve Agents).....	123,521,087 26	State Bank Notes outstanding...	66,133 50
Due from State Banks and Bankers.	30,830,482 60	Due to other National Banks....	320,228,677 38
Due from approved Reserve Agents.	222,287,251 45	Due to State Banks and Bankers.	174,708,672 88
Checks and other Cash Items.....	13,056,424 53	Dividends unpaid.....	1,670,927 89
Exchanges for Clearing House.....	57,506,787 60	Individual Deposits.....	1,701,653,521 28
Bills of other National Banks.....	15,537,100 00	U. S. Deposits.....	9,111,372 65
Fractional Paper and Minor Cur....	936,484 44	Deposits of U. S. Disbursing Of-	
Lawful Money Reserve in Bank, viz.:		ficers.....	4,426,966 48
Gold Coin.....\$110,378,360 22		Notes and Bills rediscounted..	13,396,167 85
Gold Tr. Certs. 21,525,930 00		Bills Payable.....	17,813,360 01
Gold Clearing-		Liabilities other than those above	
House Certs..... 31,021,000 00		stated.....	4,045,148 70
Silver Dollars.... 5,505,459 00			
Silver Certs..... 22,914,180 00			
Subsidiary Silver. 4,892,381 95			
Total specic....\$196,237,311 17			
Legal Tenders..... 98,946,685 00			
U. S. Certificates of			
Deposit for Legal			
Tender Notes.... 49,920,000 00			
	340,103,996 17		
Five-per-cent. Redemption Fund			
with Treasurer.....	9,085,606 08		
Due from U. S. Treasurer.....	1,285,534 36		
Total	3,423,629,343 63	Total.....	3,423,629,343 63

* The amount of circulation outstanding at the date named, as shown by the books of this office was \$212,828,934; which amount includes the notes of insolvent banks, of those in voluntary liquidation, and of those which have deposited legal-tender notes under the Acts of June 20, 1874, and July 12, 1882, for the purpose of retiring their circulation.

Taxation and Assessment of National Banks, together with Annual Redemptions of Notes at the Treasury, 1883 to 1895, inclusive.

[Report of the Comptroller of Currency, 1895, p. 365.]

Years.	Semi-annual Duty on Circulation.	Cost of Re- demption of notes by the United States Treasurer.	Assessments for Plates and Examinations.	Total Taxation and Assess- ment.	Redemptions of National Bank Notes.
1883.....	\$3,132,006 73	\$147,592 27	\$154,706 16	\$3,434,305 16	\$101,843,739 53
1884	3,024,668 24	160,896 65	120,487 05	3,306,001 94	125,760,169 18
1885	2,794,584 01	181,857 16	218,731 78	3,195,172 90	149,981,396 90
1886	2,592,021 33	168,243 35	146,907 88	2,907,172 51	130,029,625 12
1887	2,044,922 75	138,967 00	190,819 88	2,314,709 63	87,213,269 96
1888	1,616,127 53	141,141 48	139,777 86	1,897,046 87	98,246,727 42
1889	1,410,381 84	131,190 67	148,500 79	1,685,023 30	88,217,860 57
1890	1,254,839 65	107,843 39	161,672 71	1,524,355 75	69,856,023 70
1891	1,216,104 72	99,366 52	164,744 39	1,480,215 68	66,813,249 70
1892	1,331,237 26	100,598 70	185,783 68	1,617,664 64	68,976,642 07
1893	1,443,489 69	103,032 96	181,869 59	1,728,392 24	75,342,284 56
1894	1,721,095 18	107,445 14	260,391 79	2,088,932 11	104,186,526 71
1895	1,704,007 69	100,352 79	250,077 27	2,054,437 75	86,355,723 22
Total	\$25,285,436 62	\$1,688,523 08	\$2,259,420 73	\$29,233,430 43	\$1,252,772,237 64

For further general and detailed statistics as to **National Banks**, see annual reports of the Comptroller of the Currency, *e. g.*:

Annual earnings and dividends since 1870, Report for 1895, p. 428.

Geographical distribution of banks by States, showing Capital Stock, bonds on deposit and circulation outstanding Oct. 31, 1895, Report 1895, p. 335.

Holdings of gold, silver and certificates annually since 1888, by States, Report 1894, pp. 197-208, and 1895, p. 390.

Ratio of Reserve to Deposits, and Classification of Reserve by geographical divisions, since 1885, Report 1895, pp. 404-413.

Statistics of State Banks 1834-1863.

Year.	Num-ber.	Capital Stock.	Circulation.	Deposits.	Loans and Discounts.	Specie.	Specie Funds.	Notes of other Banks.
1834.....	506	\$200,005,944	\$94,839,570	\$75,666,986	\$324,119,499	.....	\$26,641,753	\$22,154,919
1835.....	704	231,250,337	103,624,495	83,081,365	365,163,834	\$43,937,625	3,061,819	21,086,301
1836.....	713	251,875,292	140,301,638	115,104,440	457,506,080	40,019,594	4,800,076	32,115,138
1837.....	788	290,772,091	149,185,890	127,397,185	525,115,702	37,915,340	5,366,500	36,533,527
1838.....	829	317,636,778	116,138,910	84,691,184	485,631,687	35,184,112	904,006	24,961,257
1839.....	840	327,132,512	135,170,995	90,240,146	492,278,015	45,132,673	3,612,567	27,372,766
1840.....	901	353,442,692	106,968,572	75,696,857	462,896,523	33,105,155	3,623,874	20,797,892
1841.....	784	313,608,959	107,290,214	64,890,101	386,487,662	34,813,958	3,168,708	25,643,447
1842.....	692	260,171,797	83,734,011	62,408,870	323,957,569	28,440,423	3,115,327	19,432,744
1843.....	691	228,861,948	58,563,608	56,168,628	254,544,937	33,515,806	6,578,375	13,306,677
1844.....	596	210,872,056	75,167,646	84,550,785	264,905,814	49,898,269	6,729,980	11,672,473
1845.....	707	206,045,969	89,608,711	88,020,646	288,617,131	44,241,242	6,786,026	12,040,760
1846.....	707	196,894,309	105,552,427	96,913,070	312,114,404	42,012,095	8,386,478	12,914,423
1847.....	715	203,070,622	105,519,766	91,792,533	310,282,945	35,132,516	13,789,780	13,112,467
1848.....	751	204,838,175	128,506,091	103,226,177	344,476,582	46,369,765	10,489,822	16,427,716
1849.....	782	207,309,361	114,743,415	91,178,623	332,323,195	43,619,368	8,680,483	12,708,016
1850.....	824	217,317,211	131,366,526	109,586,595	364,234,078	45,379,345	11,603,245	16,303,289
1851.....	879	227,807,553	155,165,252	128,957,712	413,756,799	48,671,048	15,341,193	17,196,083
1853.....	750	207,908,519	146,072,780	145,553,876	408,943,758	47,138,592	.....	30,431,189
1854.....	1208	301,376,071	204,689,207	188,188,744	557,397,779	59,410,253	25,579,253	22,659,066
1855.....	1307	332,177,288	186,952,223	190,400,342	576,144,758	53,944,546	21,935,738	23,429,518
1856.....	1398	343,874,272	195,747,950	212,705,662	631,183,280	59,314,068	19,937,710	24,779,049
1857.....	1416	370,834,686	214,778,822	230,351,352	684,456,887	58,349,838	25,081,641	28,124,008
1858.....	1422	394,622,799	155,208,344	185,932,049	583,165,242	74,412,332	15,380,441	22,447,486
1859.....	1476	401,976,242	193,306,818	259,568,278	657,183,799	104,537,818	26,808,822	18,858,289
1860.....	1562	421,880,095	207,102,477	253,802,129	691,945,580	83,594,537	19,331,521	25,502,567
1861.....	1601	429,592,713	202,005,767	257,229,562	696,778,421	87,674,507	29,297,878	21,903,902
1862.....	1492	418,139,741	183,792,079	296,322,408	646,677,780	102,146,215	27,827,971	25,253,589
1863.....	1466	405,045,829	238,677,218	393,686,226	648,601,863	101,227,369	46,171,518	5,164,228

NOTE.—The figures for the years 1834 to 1840 are taken from Ex. Doc. No. 111, 26th Congress, 2nd session. Those for 1841 to 1850 are from Ex. Doc. No. 68, 31st Congress, 1st session. For the years 1851 to 1863 (with the exception of the year 1853) they are taken from the report on the condition of the banks for 1863. Those for 1853 are from Ex. Doc. No. 66, 32d Congress, 2d session, and are incomplete.

Aggregate Resources and Liabilities of all State Banks, Loan and Trust Companies, Savings and Private Banks, 1894-'95.

[Report of the Comptroller of Currency 1895, p. 508.]

Resources and Liabilities.	State Banks.	Loan and Trust Companies.	Savings Banks.	Private Banks.	Total.
	3,774 Banks.	242 Companies.	1,017 Banks.	1,070 Banks.	6,103 Banks.
<i>Resources.</i>					
Loans on real estate.....	\$44,322,689	\$50,291,477	\$792,492,458	\$14,079,130	\$901,188,754
Loans on collateral security other than real estate.....	42,093,118	221,022,813	50,504,440	11,200,878	324,821,249
Other loans and discounts.....	606,372,124	162,069,171	192,247,692	58,711,546	1,019,400,533
Overdrafts.....	4,900,187	122,055	352,552	1,497,512	6,872,256
United States bonds.....	883,885	39,607,593	123,196,914	1,497,310	165,185,702
State, county and municipal bonds....	1,319,104	3,767,198	431,168,031	873,810	437,128,143
Railroad bonds and stocks.....	63,334	5,849,131	130,830,808	702,880	137,446,153
Bank stocks.....	392,238	493,042	44,052,458	501,406	45,442,144
Other stocks and bonds.....	89,330,135	127,369,591	112,559,483	3,697,753	332,956,967
Due from other banks and bankers....	127,641,703	92,620,845	82,244,782	18,213,393	320,720,723
Real estate, furniture and fixtures....	43,393,546	28,871,535	40,611,911	7,880,843	120,762,835
Current expenses and taxes paid.....	3,412,015	199,004	687,419	962,738	5,291,176
Cash and cash items.....	143,057,914	35,616,686	39,567,787	9,255,911	227,743,303
Other resources.....	40,328,876	38,914,900	13,247,588	1,539,227	94,030,591
Total.....	1,147,545,818	807,063,041	2,053,764,328	130,617,342	4,138,990,529
<i>Liabilities.</i>					
Capital stock.....	250,311,295	108,963,905	29,465,573	33,281,845	422,052,618
Surplus fund.....	74,175,522	61,179,611	147,762,594	7,146,920	293,264,647
Other undivided profits.....	26,866,824	20,622,087	26,347,305	3,296,140	77,132,356
Dividends unpaid.....	446,935	78,453	99,742	.....	625,130
Individual deposits.....	712,410,423	546,652,657	33,760,775	81,824,922	1,374,648,787
Savings deposits.....	.....	.....	1,810,597,023	.....	1,810,597,023
Debiture bonds.....	.....	3,960,072	.....	.....	3,960,072
Due to other banks and bankers.....	63,147,250	7,104,064	1,295,687	2,324,421	73,571,422
All other liabilities.....	20,157,569	55,502,192	4,435,629	2,743,084	82,838,471
Total.....	1,147,545,818	807,063,041	2,053,764,328	130,617,342	4,138,990,529

SITUATION PRINCIPAL BANKS OF ISSUE, SEPTEMBER 30, 1895.

NAME OF BANKS.	METALLIC RESERVE	ANALYSIS OF THE RESERVE.		BILLS PAY- ABLE TO BEARER IN CIRCULA- TION.
		Gold.	Silver.	
Imperial Bank of Germany.....	\$228,620,000	.....	.....	\$320,700,000
Bank of Austria-Hungary.....	146,660,000	\$91,900,000	\$54,760,000	246,420,000
Bank of Belgium.....	21,260,000	.....	.....	86,520,000
National Bank of Bulgaria (a).....	820,000	.....	.....	460,000
National Bank of Denmark.....	15,860,000	15,860,000	.....	22,400,000
Bank of Spain.....	99,000,000	40,020,000	58,950,000	192,380,000
Bank of Finland (b).....	5,000,000	4,360,000	640,000	10,580,000
Bank of France.....	654,860,000	404,700,000	250,160,000	672,700,000
National Bank of Greece (b).....	380,000	.....	.....	21,640,000
Italy :				
Bank of Italy.....	69,940,000	59,800,000	10,140,000	153,380,000
Bank of Naples.....	23,220,000	21,120,000	2,100,000	47,740,000
Bank of Sicily.....	7,340,000	7,040,000	300,000	9,840,000
Bank of Norway.....	8,200,000	.....	.....	14,360,000
Bank of the Netherlands.....	55,860,000	21,540,000	34,320,000	88,400,000
Bank of Portugal.....	13,620,000	5,340,000	8,280,000	60,820,000
Bank of Roumania.....	13,420,000	12,740,000	680,000	27,980,000
United Kingdom :				
Bank of England.....	218,720,000	218,720,000	.....	129,500,000
Banks of Scotland (c).....	27,500,000	.....	.....	37,000,000
Banks of Ireland (c).....	16,500,000	.....	.....	31,500,000
Imperial Bank of Russia (e).....	393,940,000	388,600,000	5,340,000	877,300,000
Bank of Servia (f).....	2,160,000	1,220,000	940,000	5,320,000
Sweden :				
Royal Bank (b).....	7,680,000	6,800,000	880,000	14,240,000
Private Banks (b).....	5,280,000	2,140,000	3,140,000	11,560,000
Swiss Banks of Issue (b).....	18,340,000	16,420,000	1,920,000	35,920,000
Imperial Ottoman Bank (Turkey) (d).....	9,780,000	.....	.....	4,940,000
Canadian Banks.....	7,575,000	.....	.....	32,774,000
U. S. National Banks.....	196,237,000	162,925,000	33,312,000	212,829,000

a. Situation July 14. b. Situation August 31. c. Situation July 15. d. Situation July 31.
e. Situation September 16. f. Situation September 22.

References, Banks—In the Report of the Director of the Mint for each year (e. g. : Report for 1895, pp. 405, 406) may be found quarterly statements of the circulation and metallic reserve of each of the principal European banks of issue as above. These statistics are taken from the *Bulletin de Statistique*.

For Statistics as to foreign banking systems, with table for January, 1896, on same basis as above, see "The World's Bank-Note Systems" (*Sound Currency*, Vol. III, No. 9).

The Canadian Finance Department publishes, monthly, a detailed report on the condition of the chartered banks of Canada. For further statistics in regard to Canadian banks, see Breckenridge, "The Canadian Banking System, 1817-1890"; Garland, "Banks, Bankers and Banking in Canada"; Root, "Canadian Bank-Note Currency" (*Sound Currency*, Vol. II., No. 2).

For a very full collection of Statistics of *State Banks* prior to 1864, see report of J. J. Knox, Comptroller of the Currency, 1876, pp. 84 to 131; or, reprint of the same in special report by the Secretary of the Treasury, January, 1893 (Fifty-second Congress, Second Session, Senate Ex. Doc. 33), pp. 84 to 113. The original data from which these tables are compiled are to be found in reports upon the condition of the banks throughout the United States made to Congress by the various Secretaries of the Treasury from 1833 to 1863. The volumes in which these reports occur are noted in Ex. Doc. No. 33, mentioned above.

See also "New England Bank Currency," and "States as Bankers" (*Sound Currency*, Vol. II., Nos. 10, 13), for statistics of banks in the fields covered.

Statement Showing Market Prices of U. S. Registered Bonds Monthly* during the Years 1894, 1895 and 1896.

WEEK ENDED.	TWO PER CENT. BONDS (Redeemable at option of Govt.)			FOUR PER CENT. BONDS (Redeemable 1907).			FIVE PER CENT. BONDS (Redeemable 1904).			NEW FOUR PER CENT. BONDS (Redeemable 1924).		
	Opening.	Highest.	Lowest.	Opening.	Highest.	Lowest.	Opening.	Highest.	Lowest.	Opening.	Highest.	Lowest.
Jan. 5, 1894.....	95	95	95	112 - 113	112 - 113	112 - 113	.....	.....	.....	.....	.....	.....
Feb. 2, ".....	95	95	95	113 3/4 - 114 1/2	113 3/4 - 114 1/2	113 3/4 - 114	.....	.....	.....	.....	.....	.....
Mar. 2, ".....	96 1/4	96 1/4	96	113 3/4 - 114 1/2	113 3/4 - 114 1/2	113 3/4 - 113 3/4	.....	.....	.....	.....	.....	.....
Apr. 6, ".....	96	96	96	113 3/4 - 114	113 3/4 - 114	113 3/4 - 113 3/4	.....	.....	.....	.....	.....	.....
May 4, ".....	96 1/2	96 1/2	96	113 3/4 - 114 1/2	113 3/4 - 114 1/2	113 3/4 - 114	.....	.....	.....	.....	.....	.....
June 1, ".....	96	96	96	113 5/8 - 113 3/4	113 5/8 - 113 3/4	112 1/2 - 113	.....	.....	.....	.....	.....	.....
July 6, ".....	96	96	96	113 - 113 1/2	113 1/4 - 113 3/4	113 - 113 1/2	.....	.....	.....	.....	.....	.....
Aug. 3, ".....	96	96	96	113 1/2 - 114 1/4	113 1/2 - 114 1/4	113 1/2 - 114 1/4	.....	.....	.....	.....	.....	.....
Sept. 7, ".....	97	97	96	113 1/2 - 114	114 - 114 1/2	113 1/2 - 114	.....	.....	.....	.....	.....	.....
Oct. 5, ".....	96	96	96	113 3/4 - 114 1/2	113 3/4 - 114 1/2	113 3/4 - 114 1/2	.....	.....	.....	.....	.....	.....
Nov. 2, ".....	96	96	96	113 1/2 - 113 3/4	113 1/2 - 113 3/4	115 - 115 1/2	.....	.....	.....	.....	.....	.....
Dec. 7, ".....	97	97	97	115 - 115 1/4	115 - 115 1/2	114 1/2 - 115 1/2	.....	.....	.....	.....	.....	.....
Jan. 4, 1895.....	97	97 1/2	97	113 - 113 1/2	113 - 113 1/2	113 - 113 1/2	.....	.....	.....	.....	.....	.....
Feb. 1, ".....	97	97	96	113 - 113 1/2	113 - 113 1/2	111 1/2 - 112	.....	.....	.....	.....	.....	.....
Mar. 1, ".....	95	95	95	112 1/2 - 113	112 1/2 - 113	111 1/4 - 111 3/4	.....	.....	.....	.....	.....	.....
Apr. 5, ".....	95	95	95	111 - 111 1/2	111 1/2 - 111 3/4	111 - 111 1/2	.....	.....	.....	.....	.....	.....
May 3, ".....	96 1/2	96 1/2	96	111 1/2 - 112 1/4	111 3/4 - 112 1/2	111 1/2 - 112	.....	.....	.....	.....	.....	.....
June 7, ".....	97	97	97	111 1/2 - 112 1/4	111 1/2 - 112 1/4	111 1/2 - 112 1/4	.....	.....	.....	.....	.....	.....
July 5, ".....	97	97	96 1/2	112 - 112 1/2	112 - 112 1/2	112 - 112 1/2	.....	.....	.....	.....	.....	.....
Aug. 2, ".....	97	97	96	112 - 112 1/2	112 1/2 - 113	112 - 112 1/2	.....	.....	.....	.....	.....	.....
Sept. 6, ".....	96 1/2	96 1/2	96 1/2	112 - 112 1/2	112 - 112 1/2	111 1/2 - 112	.....	.....	.....	.....	.....	.....
Oct. 4, ".....	96 1/2	97	96 1/2	111 3/4 - 112 1/4	111 3/4 - 112 1/4	111 3/4 - 112 1/4	.....	.....	.....	.....	.....	.....
Nov. 1, ".....	97 1/4	97 1/4	96 1/2	111 1/2 - 112	111 1/2 - 112	111 1/2 - 112	.....	.....	.....	.....	.....	.....
Dec. 3, 1896.....	97	97	97	110 1/2 - 111	110 1/2 - 111	110 1/2 - 111	.....	.....	.....	.....	.....	.....
Jan. 6, ".....	96	96	96	109 - 110 1/2	109 - 110 1/2	108 - 110	.....	.....	.....	.....	.....	.....
Feb. 7, ".....	94 1/2	95	94 1/2	107 - 108	109 - 110	107 - 108	.....	.....	.....	.....	.....	.....
Mar. 6, ".....	95	95	95	108 1/2 - 109	108 1/2 - 109	108 - 108 1/2	.....	.....	.....	.....	.....	.....
Apr. 3, ".....	95	95	95	108 1/2 - 108 3/4	108 1/2 - 108 3/4	108 1/2 - 108 3/4	.....	.....	.....	.....	.....	.....
May 1, ".....	95	95	94 1/2	108 1/2 - 109	108 1/2 - 109 1/4	108 3/4 - 109	.....	.....	.....	.....	.....	.....
June 5, ".....	94 1/2	94 1/2	94 1/2	107 3/4 - 108	107 3/4 - 108	107 3/4 - 108	.....	.....	.....	.....	.....	.....
July 3, ".....	94 3/4	95	94 3/4	108 1/2 - 109	108 1/2 - 109	108 1/2 - 108 3/4	.....	.....	.....	.....	.....	.....

* On the first Friday of each month.

CIRCULATION.

STATEMENT SHOWING THE AMOUNTS OF GOLD AND SILVER COINS AND CERTIFICATES, UNITED STATES NOTES, AND NATIONAL BANK NOTES IN CIRCULATION JULY 1, 1896.

	General Stock Coined or Issued.	In Treasury.	Amount in Cir- culation July 1, 1896
Gold Coin	\$567,931,823 00	\$111,803,340 00	\$456,128,483 00
Standard silver dollars.....	430,790,041 00	378,614,043 00	52,175,998 00
Subsidiary silver	75,730,781 00	15,730,976 00	59,999,805 00
Gold certificates.....	42,818,189 00	497,430 00	42,320,759 00
Silver certificates.....	312,619,504 00	11,359,995 00	331,259,509 00
Treasury notes, Act July 14, 1890.....	129,683,280 00	34,465,919 00	95,217,361 00
United States notes.....	346,681,016 00	121,229,658 00	225,451,358 00
Currency certificates, Act June 8, 1872.....	31,990,000 00	150,000 00	31,840,000 00
National Bank notes.....	226,000,547 00	10,668,620 00	215,331,927 00
Totals	\$2,194,245,181 00	\$684,519,981 00	\$1,509,725,200 00
Gold Bullion in Treasury.....	.....	\$32,217,024 00	.....
Silver Bullion in Treasury.....	.....	119,053,695 00	.....

Population of the United States, July 1, 1896, estimated at 71,390,000; circulation per capita, \$21.15.

ESTIMATED AMOUNT OF MONEY IN ACTUAL CIRCULATION* IN THE UNITED STATES AT THE CLOSE OF EACH FISCAL YEAR FROM 1860 TO 1895 INCLUSIVE.

July 1.	IN MILLIONS OF DOLLARS.												Per Capita.
	Gold Coin.	Gold Certificates.	Silver Dollars.	Silver Certificates.	Subsidiary Silver.	United States Notes.	Demand Notes.	National Bank Notes.	State Bank Notes.	Fractional Currency.	Currency Certificates.	Total.	
1860.....	228.3	.....	.....	.....	.....	.....	.....	.....	207.1	.....	.....	435.4	13.85
1861.....	246.4	.....	.....	.....	.....	.....	.....	.....	202.0	.....	.....	448.4	13.98
1862.....	25.0	.....	.....	.....	.....	72.9	53.0	.....	183.8	.....	.....	334.7	10.23
1863.....	25.0	.....	.....	.....	.....	312.5	3.4	.....	238.7	15.9	.....	595.4	17.84
1864.....	25.0	.....	.....	.....	.....	415.1	.....	31.2	179.2	19.1	.....	669.6	19.67
1865.....	25.0	.....	.....	.....	.....	378.9	.....	146.1	142.9	21.7	.....	714.7	20.57
1866.....	25.0	.....	.....	.....	.....	327.8	.....	276.0	20.0	24.7	.....	673.5	18.99
1867.....	25.0	.....	.....	.....	.....	319.4	.....	286.8	4.5	26.3	.....	662.0	18.28
1868.....	25.0	.....	.....	.....	.....	328.6	.....	294.4	3.2	29.0	.....	680.1	18.39
1869.....	25.0	.....	.....	.....	.....	314.7	.....	291.7	2.6	30.4	.....	664.5	17.60
1870.....	25.0	.....	.....	.....	.....	325.0	.....	288.6	2.2	34.4	.....	675.2	17.50
1871.....	25.0	.....	.....	.....	.....	343.1	.....	311.4	2.0	34.4	.....	715.9	18.10
1872.....	25.0	.....	.....	.....	.....	346.2	.....	329.0	1.7	36.4	.....	738.3	18.19
1873.....	25.0	.....	.....	.....	.....	348.5	.....	330.0	1.4	38.1	.....	751.9	18.04
1874.....	25.0	.....	.....	.....	.....	371.4	.....	340.3	1.2	38.2	.....	776.1	18.13
1875.....	25.0	.....	.....	.....	.....	349.7	.....	340.5	1.0	37.9	.....	754.1	17.16
1876.....	25.0	.....	.....	.....	21.1	331.4	.....	316.1	1.0	32.9	.....	727.6	16.12
1877.....	25.0	.....	.....	.....	37.9	337.9	.....	301.3	.....	20.2	.....	722.3	15.58
1878.....	25.0	.....	1.2	.....	53.9	320.9	.....	311.7	.....	16.4	.....	729.1	15.32
1879.....	110.5	15.3	8.0	0.4	61.3	301.6	Treasury Notes of 1890.	321.4	.....	.....	.....	818.6	16.75
1880.....	225.7	8.0	20.1	5.8	48.5	327.9		337.4	.....	.....	.....	973.4	19.41
1881.....	315.3	5.8	29.3	39.1	46.8	328.1		349.7	.....	.....	.....	1,114.2	21.71
1882.....	358.2	5.0	32.4	54.5	46.4	325.3		352.5	.....	.....	.....	1,174.3	22.37
1883.....	344.7	59.8	35.6	72.6	46.5	323.2		347.9	.....	.....	.....	1,230.3	22.91
1884.....	340.6	71.1	40.7	96.4	45.7	318.7		330.7	.....	.....	.....	1,243.9	22.65
1885.....	341.7	126.7	39.1	101.5	43.7	331.2		308.6	.....	.....	.....	1,292.6	23.02
1886.....	358.2	76.0	52.7	88.1	46.2	323.8		307.7	.....	.....	.....	1,252.7	21.82
1887.....	376.5	91.2	55.5	142.1	48.6	326.7		276.9	.....	.....	.....	1,317.5	22.45
1888.....	391.1	121.1	55.5	200.8	50.4	308.0		245.3	.....	.....	.....	1,372.2	22.88
1889.....	376.5	117.1	54.5	257.2	51.5	316.4	.....	207.2	.....	.....	.....	1,380.4	22.52
1890.....	374.3	130.8	56.3	297.5	54.0	334.7	.....	181.6	.....	.....	.....	1,429.3	22.82
1891.....	407.3	120.1	58.8	307.2	58.2	343.2	40.3	162.2	.....	.....	.....	1,497.4	23.41
1892.....	408.6	141.1	56.8	326.7	63.3	309.6	98.3	167.2	.....	.....	29.8	1,601.3	24.44
1893.....	408.5	92.6	56.9	326.8	65.5	319.1	140.9	174.7	.....	.....	11.7	1,596.7	23.85
1895.....	479.6	48.4	52.0	319.6	60.4	263.6	116.0	207.0	.....	.....	55.4	1,602.0	22.93
1896.....	456.1	42.3	52.2	331.3	60.0	225.4	95.2	215.3	.....	.....	31.8	1,509.7	21.10

* Not including money in the Treasury. For statement of total paper and metallic money (including amounts in the Treasury) see two following tables.

NOTE.—“These tables have been compiled from records of the Department which were made on or about the dates specified. They include everything properly belonging in a statement relative to circulation, except minor coins, which are not stated because it is difficult to estimate accurately the amount in use. The figures agree with the reports published from year to year, and an estimate has been added of the amount of specie in circulation on the Pacific coast during the period of suspension of specie payments (1862 to 1878 inclusive). It will be observed that no attempt has been made in the table for 1862 to

STATEMENT OF THE COIN AND PAPER CIRCULATION OF THE UNITED STATES ON
JUNE 30, FROM 1860 TO 1895 INCLUSIVE.

[Prepared by Loans and Currency Division, Treasury Department. Report of the Comptroller of the Currency, 1895, p. 357.]

Year.	Coin in United States, including Bullion in Treasury.	Paper Money in United States.	Total Money.	Coin, Bullion and Paper Money in Treasury.	Total Money in Circulation.	Population.	Circulation per Capita.
1860.....	\$235,000,000	\$207,102,477	\$442,102,477	\$6,695,225	\$435,407,252	31,413,321	\$13.85
1861.....	250,000,000	202,105,767	452,005,767	3,600,000	448,405,767	32,064,000	13.98
1862.....	25,000,000	333,452,079	358,452,079	23,754,335	34,697,744	32,704,000	10.23
1863.....	25,000,000	649,867,283	674,867,283	79,473,245	595,391,038	33,365,000	17.84
1864.....	25,000,000	680,588,067	705,588,067	35,946,589	669,641,478	34,046,000	19.67
1865.....	25,000,000	745,129,755	770,129,755	55,426,760	714,702,995	34,748,000	20.57
1866.....	25,000,000	729,327,254	754,327,254	80,839,010	673,488,244	35,469,000	18.99
1867.....	25,000,000	703,200,612	728,200,612	66,208,543	661,992,069	36,211,000	18.28
1868.....	25,000,000	691,553,578	716,553,578	36,449,917	680,103,661	36,973,000	18.39
1869.....	25,000,000	690,311,180	715,351,180	50,898,289	664,452,891	37,756,000	17.60
1870.....	25,000,000	697,868,461	722,868,461	47,655,367	675,212,794	38,558,371	17.50
1871.....	25,000,000	716,812,174	741,812,174	25,923,169	715,889,005	39,555,000	18.10
1872.....	25,000,000	737,721,565	762,721,565	24,412,016	738,309,549	40,596,000	18.19
1873.....	25,000,000	749,445,610	774,445,610	22,563,801	751,881,809	41,677,000	18.04
1874.....	25,000,000	781,024,781	806,024,781	29,911,750	776,083,031	42,796,000	18.13
1875.....	25,000,000	773,273,509	798,273,509	44,171,562	754,101,947	43,951,000	17.16
1876.....	52,418,734	738,264,550	790,683,284	63,073,896	727,609,388	45,137,000	16.12
1877.....	65,837,506	697,216,341	763,053,847	40,738,964	722,314,883	46,353,000	15.58
1878.....	102,017,907	689,205,669	791,253,576	62,120,942	729,132,634	47,598,000	15.32
1879.....	357,268,178	694,253,363	1,051,521,541	232,889,748	818,631,793	48,866,000	16.75
1880.....	494,363,834	711,505,313	1,205,929,197	232,546,969	973,382,228	50,155,781	19.41
1881.....	647,868,682	758,673,141	1,406,541,823	292,303,704	1,114,238,119	51,316,000	21.71
1882.....	703,974,839	776,556,880	1,480,531,719	306,241,300	1,174,290,419	52,495,000	22.37
1883.....	769,740,048	873,749,768	1,643,489,816	413,184,120	1,230,305,696	53,693,000	22.91
1884.....	801,068,939	904,385,250	1,705,454,189	461,528,220	1,243,925,969	54,911,000	22.65
1885.....	872,175,823	945,482,513	1,817,658,336	525,089,721	1,292,568,615	56,148,000	23.02
1886.....	903,027,304	905,532,390	1,808,559,694	555,819,16	1,252,700,525	57,404,000	21.82
1887.....	1,007,513,901	892,928,771	1,900,442,672	582,903,529	1,317,539,143	58,680,000	22.45
1888.....	1,092,391,690	970,564,259	2,062,955,949	690,785,079	1,372,170,870	59,974,000	22.88
1889.....	1,101,612,434	974,738,277	2,075,350,711	694,989,062	1,380,361,649	61,280,000	22.52
1890.....	1,152,471,638	991,754,521	2,144,226,159	714,974,889	1,429,251,270	62,622,250	22.82
1891.....	1,163,185,054	1,032,039,021	2,195,224,075	697,783,368	1,497,440,707	63,975,000	23.41
1892.....	1,232,854,531	1,139,745,170	2,372,599,501	771,252,314	1,601,347,187	65,516,000	24.44
1893.....	1,213,413,584	1,109,948,808	2,323,402,392	726,701,147	1,596,701,245	66,946,000	23.85
1894.....	1,251,543,158	1,163,891,623	2,420,434,781	759,626,073	1,661,808,708	68,397,000	24.28
1895.....	1,260,987,506	1,137,619,914	2,398,607,420	796,638,947	1,601,968,473	69,878,000	22.93
1896.....	1,225,618,792	1,120,012,536	2,345,631,328	839,000,302	1,506,631,026	71,390,000	21.10

NOTE 1.—Specie payments were suspended from January 1, 1862, to January 1, 1879. During the greater part of that period gold and silver coins were not in circulation except on the Pacific coast, where, it is estimated, the specie circulation was generally about \$25,000,000. This estimated amount is the only coin included in the above statement from 1862 to 1875, inclusive.

NOTE 2.—In 1876 subsidiary silver again came into use, and is included in this statement, beginning with that year.

NOTE 3.—The coinage of standard silver dollars began in 1878 under the act of February 28, 1878.

NOTE 4.—Specie payments were resumed January 1, 1879, and all gold and silver coins, as well as gold and silver bullion in the Treasury, are included in this statement from and after that date.

An estimate on similar basis to the above, of the aggregate and per capita circulation of the United States from 1800 to 1859 may be found in the Report of the Comptroller of the Currency 1895, p. 366, or in the Finance Report 1894, p. 437.

estimate the quantity of the nondescript currency, consisting of postage stamps, tickets, due bills, etc., which served as small change during the period subsequent to the disappearance of subsidiary silver and prior to the issue of the postal currency and fractional currency authorized by the Acts of July 17, 1862, and March 3, 1863. Also that the one and two year notes of 1863 and compound-interest notes supposed by many persons to have been in circulation are not included in any of the tables. The small quantities of these classes of interest-bearing obligations which were in circulation as money for a few months when first issued had been absorbed as investment securities and withdrawn from circulation before July 1, 1865, which is the date commonly selected for comparison with the present time as to money in circulation. The seven-thirty notes are also excluded from the tables. They were not used as money nor paid out as such by the Treasury, but were negotiated as a loan and issued by the Government to investors in exchange for legal-tender notes, being sold at par and accrued interest like any other loan. A small amount of these, however—less than ten millions—was issued to soldiers in the field, but the notes were taken only by those soldiers who desired to save, and were, therefore, not placed in circulation. The total amount of seven-thirty notes negotiated in 1864 and 1865, was \$829,992,500 of which \$44,509,900 were of the denomination of \$50, \$137,634,600 of \$100, and the remainder \$647,848,000 were \$500s, \$1,000s, and \$5,000s. The receipt of legal-tender notes by the Department in exchange for seven-thirty notes did not cause a contraction of the currency, because the legal-tenders so received were immediately paid out by the Government in settlement of demand liabilities then pressing.

"The one and two year notes and compound-interest notes were sufficiently unlike the legal tenders to attract notice and cause an examination of their terms. In this way their interest-bearing quality was speedily discovered, and they were very soon retired. The seven-thirties were unlike the legal-tenders, except in color, being very much larger and having coupons attached.

"There are two facts which prove conclusively that these obligations were not in active circulation: One is that they were all redeemed within three years without creating monetary disturbance; the other is that nearly all of them came back into the Treasury as clean and unworn as on the day of their issue—a condition which they would have not presented had they been in active circulation."—*Secretary of the Treasury*, 1891.

PAPER CURRENCY OUTSTANDING AT THE CLOSE OF EACH FISCAL YEAR.

[Compiled from Report Secretary of Treasury, 1895, p. 82.]

Fiscal Year.	Old Demand Notes.	United States Notes.	Treasury Notes of 1890.	Fractional Currency.*	Gold Certificates.	Silver Certificates.	Currency Certificates. †	Total U. S. Paper Money.	National Bank Notes.	Total Paper Currency.
1862.	\$51,105,235.00	\$96,620,000.00	.....	\$20,192,456.00	.....	.....	.....	\$147,725,235.00	.....	\$147,725,235.00
1863.	3,384,000.00	887,646,589.00	.....	22,324,283.00	.....	.....	.....	411,223,045.00	.....	411,223,045.00
1864.	789,037.50	447,900,213.10	.....	25,033,128.76	.....	.....	.....	470,113,523.70	\$31,235,270.00	501,648,793.70
1865.	472,603.50	431,066,427.99	.....	27,008,875.36	\$10,947,860.00	.....	.....	436,572,160.25	146,137,860.00	602,710,020.25
1866.	272,162.75	400,780,305.85	.....	28,474,623.02	18,773,580.00	.....	.....	439,009,203.96	281,473,908.00	720,483,111.96
1867.	208,432.50	371,783,597.00	.....	32,727,908.47	17,678,640.00	.....	.....	419,240,232.52	298,625,379.00	717,865,611.52
1868.	143,912.00	356,000,000.00	.....	32,114,637.36	33,086,100.00	.....	.....	406,550,460.47	299,762,855.00	706,313,315.47
1869.	123,739.25	356,000,000.00	.....	39,878,684.48	84,547,120.00	.....	.....	421,324,556.61	299,742,745.00	721,067,301.61
1870.	103,256.00	356,000,000.00	.....	40,582,874.56	19,886,300.00	.....	.....	436,532,060.48	299,766,984.00	736,299,044.48
1871.	96,505.50	356,000,000.00	.....	40,558,875.27	32,086,300.00	.....	.....	430,530,481.52	337,664,795.00	768,195,226.52
1872.	88,296.25	357,500,000.00	.....	44,799,305.44	39,460,000.00	.....	.....	440,339,332.94	347,297,061.00	787,606,393.94
1873.	79,937.50	356,000,000.00	.....	45,912,003.34	22,825,100.00	.....	\$31,810,000.00	450,812,908.84	351,981,032.00	802,793,940.84
1874.	76,732.50	375,771,580.00	.....	42,129,424.19	21,796,300.00	.....	58,904,000.00	439,767,411.69	354,408,008.00	794,175,419.69
1875.	70,107.50	381,999,073.00	.....	34,446,595.39	28,681,400.00	.....	59,045,000.00	432,967,196.89	332,998,336.00	765,965,532.89
1876.	66,917.50	369,772,284.00	.....	20,493,137.34	41,572,600.00	.....	83,140,000.00	421,804,031.84	332,998,336.00	754,802,367.84
1877.	63,962.50	359,764,332.00	.....	16,547,768.77	44,397,000.00	.....	53,960,000.00	406,508,492.27	324,514,284.00	731,022,776.27
1878.	62,297.50	346,681,016.00	.....	15,842,610.11	15,413,000.00	\$1,850,410.00	46,245,000.00	380,538,746.11	329,691,697.00	710,230,443.11
1879.	61,470.00	346,681,016.00	.....	15,590,892.70	8,004,600.00	2,539,950.00	29,330,000.00	382,711,753.70	344,505,427.00	727,217,180.70
1880.	60,975.00	346,681,016.00	.....	15,481,891.65	5,782,920.00	12,374,270.00	14,275,000.00	419,172,892.65	355,042,675.00	774,215,567.65
1881.	60,535.00	346,681,016.00	.....	15,423,186.10	5,037,120.00	66,096,710.00	13,360,000.00	433,297,727.10	358,742,034.00	792,039,761.10
1882.	59,695.00	346,681,016.00	.....	15,376,629.14	82,378,640.00	88,616,831.00	13,180,000.00	533,112,101.14	356,073,281.00	889,185,382.14
1883.	58,985.00	346,681,016.00	.....	15,355,999.64	98,392,660.00	120,891,691.00	12,230,000.00	581,379,806.64	339,499,883.00	920,879,689.64
1884.	58,440.00	346,681,016.00	.....	15,340,114.21	140,323,140.00	139,901,646.00	29,285,000.00	642,303,866.21	318,76,711.00	960,880,577.21
1885.	57,950.00	346,681,016.00	.....	15,330,025.85	131,174,245.00	115,977,675.00	18,110,000.00	669,220,406.85	311,694,454.00	980,919,860.85
1886.	57,445.00	346,681,016.00	.....	15,322,902.70	121,486,817.00	115,543,150.00	9,620,000.00	629,091,015.70	279,217,788.00	908,308,803.70
1887.	57,130.00	346,681,016.00	.....	15,296,582.15	142,023,150.00	229,491,772.00	14,865,000.00	733,551,327.65	252,368,321.00	985,919,648.65
1888.	56,807.50	346,681,016.00	.....	15,292,628.80	154,048,552.00	262,629,746.00	17,195,000.00	778,708,385.30	211,378,963.00	990,087,348.30
1889.	56,442.50	346,681,016.00	.....	15,287,449.30	157,542,979.00	301,539,751.00	12,390,000.00	821,107,27.80	185,970,775.00	1,007,078,002.80
1890.	56,032.50	346,681,016.00	\$50,228,417.00	15,283,617.93	152,461,429.00	314,715,185.00	23,780,000.00	879,425,312.43	167,927,974.00	1,047,353,286.43
1891.	55,647.50	346,681,016.00	101,712,071.00	15,279,400.95	156,596,929.00	331,614,304.00	30,420,000.00	931,941,368.45	172,683,850.00	1,124,625,218.45
1892.	55,647.50	346,681,016.00	147,190,227.00	15,276,442.95	92,846,189.00	330,957,504.00	12,405,000.00	933,007,026.45	178,713,872.00	1,111,720,898.45
1893.	55,647.50	346,681,016.00	152,584,417.00	15,273,075.75	66,387,899.00	337,148,504.00	60,035,000.00	918,129,759.25	206,854,787.00	1,124,984,546.25
1894.	54,847.50	346,681,016.00	146,088,400.00	15,270,055.82	48,469,959.00	328,944,504.00	55,795,000.00	885,458,782.32	211,691,035.00	1,097,150,817.32
1895.	54,847.50	346,681,016.00	129,683,280.00	15,267,122.47	42,818,189.00	342,619,504.00	32,210,000.00	877,123,458.97	226,000,547.00	1,103,124,005.97
1896.	54,847.50	346,681,016.00	.....	.....	.....	.....	.....	.....	.....	.....

* Of the fractional currency outstanding, the Act of June 21, 1879, estimated \$8,375,934, as lost or destroyed.

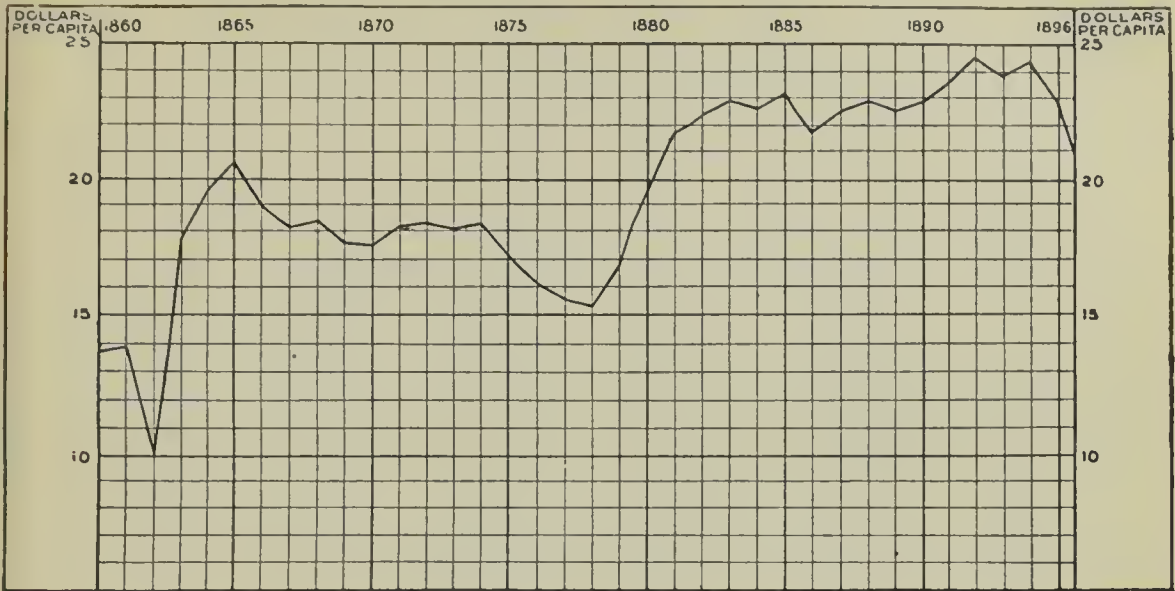
† These figures are not included in the total, because they duplicate U. S. notes already included.

MONETARY SYSTEMS AND APPROXIMATE STOCKS OF MONEY IN THE AGGREGATE AND PER CAPITA IN THE PRINCIPAL COUNTRIES OF THE WORLD.

Countries.	Monetary System.	Ratio between gold and full legal tender silver.	Ratio between gold and limited tender silver.	Population.	Stock of gold.	Stock of Silver.		Uncovered paper.	Per Capita.			
						Full Tender.	Limited tender.		Total.	Gold.	Silver.	Paper.	Total.
1 United States <i>a</i> ...	Gold*	1 to 15.98	1 to 14.95	70,400,000	\$618,100,000	\$548,400,000	\$77,200,000	\$416,700,000	\$8.78	\$8.89	\$5.92	\$23.59
2 United Kingdom.	Gold...	1 to 14.28	1 to 14.28	38,900,000	6580,000,000	6430,000,000	6115,000,000	6118,400,000	14.91	2.96	2.91	20.78
3 France.	Gold*	1 to 15½	1 to 14.38	38,300,000	6850,000,000	6430,000,000	657,900,000	32,800,000	22.19	12.74	.85	35.78
4 Germany	Gold	1 to 15½	1 to 13.957	51,200,000	6625,000,000	6105,000,000	6110,000,000	60,400,000	12.21	4.20	1.18	17.59
5 Belgium.	Gold*	1 to 15½	1 to 14.38	6,300,000	655,000,000	648,000,000	66,900,000	65,400,000	8.73	8.71	10.38	27.82
6 Italy.	Gold*	1 to 15½	1 to 14.38	30,700,000	698,200,000	621,400,000	620,000,000	172,800,000	3.20	1.35	5.62	10.17
7 Switzerland.	Gold*	1 to 15½	1 to 14.38	3,000,000	614,900,000	610,000,000	5,000,000	16,400,000	4.97	5.00	5.47	15.44
8 Greece.	Gold*	1 to 15½	1 to 14.38	2,200,000	6500,000	6500,000	61,000,000	15,000,000	.23	.68	11.18	12.09
9 Spain.	Gold*	1 to 15½	1 to 14.38	17,500,000	640,000,000	6126,000,000	640,000,000	683,700,000	2.28	9.49	4.78	16.55
10 Portugal.	Gold*	1 to 15½	1 to 14.08	5,100,000	688,000,000	6126,000,000	624,800,000	645,800,000	7.45	4.86	8.98	21.29
11 Roumania.	Gold	1 to 15½	1 to 14.08	5,800,000	638,000,000	611,000,000	610,600,000	11,700,000	6.65	1.83	2.02	10.50
12 Servia.	Gold	1 to 15½	1 to 13.69	2,300,000	63,000,000	61,900,000	61,900,000	2,800,000	1.30	.83	1.22	3.35
13 Austria-Hungary.	Gold*	1 to 15½	1 to 15	43,500,000	6140,000,000	680,000,000	640,000,000	204,700,000	3.22	2.76	4.70	10.68
14 Netherlands.	Gold*	1 to 15½	1 to 15	4,700,000	629,200,000	653,000,000	63,900,000	634,600,000	6.21	12.10	7.36	25.67
15 Norway.	Gold	1 to 15½	1 to 14.88	2,000,000	67,500,000	61,000,000	62,000,000	3,800,000	3.75	1.00	1.90	6.65
16 Sweden.	Gold	1 to 15½	1 to 14.88	4,800,000	68,000,000	61,000,000	64,800,000	17,600,000	1.66	1.00	3.66	6.34
17 Denmark.	Gold	1 to 15½	1 to 14.88	2,300,000	614,500,000	61,000,000	65,400,000	5,400,000	6.30	2.85	2.85	11.00
18 Russia.	Silver*	1 to 15½	1 to 12.90	126,000,000	6480,000,000	648,000,000	648,000,000	539,000,000	3.80	.38	4.28	8.46
19 Turkey.	Gold*	1 to 15½	1 to 15½	22,000,000	650,000,000	630,000,000	640,000,000	40,000,000	2.27	1.82	.....	4.09
20 Australia.	Gold.	1 to 15½	1 to 14.28	4,700,000	6115,000,000	61,000,000	67,000,000	7,000,000	24.47	1.49	.....	25.96
21 Egypt.	Gold.	1 to 15½	1 to 15.68	6,800,000	6120,000,000	61,000,000	615,000,000	15,000,000	17.65	2.20	.....	19.85
22 Mexico.	Silver...	1 to 16½	.....	12,100,000	65,000,000	655,000,000	.....	62,000,000	.41	4.54	.16	5.11
23 Central American States.	Silver...	1 to 15½	.....	5,600,000	6500,000	612,000,000	.....	68,000,000	.09	2.14	1.43	3.66
24 South American States <i>e</i>	Silver...	1 to 15½	.....	36,000,000	640,000,000	630,000,000	.....	6550,000,000	1.11	.83	15.28	17.22
25 Japan.	Silver...	1 to 16.18	.....	41,100,000	680,000,000	668,000,000	616,300,000	83,000,000	1.95	2.05	2.02	6.02
26 India.	Silver...	1 to 15	.....	296,000,000	.....	6950,000,000	.....	697,000,000	.....	3.21	.12	3.33
27 China.	Silver...	1 to 15	.....	360,000,000	.....	6750,000,000	.....	750,000,000	.....	2.08	.....	2.08
28 Straits Settlements.	Silver...	.....	.....	3,800,000	.....	6115,000,000	.....	.....	.....	3.26	.....	3.26
29 Canada.	Gold.	.....	1 to 14.28	4,800,000	20,000,000	.....	6,500,000	40,000,000	4.17	1.35	8.32	13.84
30 Cuba.	Gold*	1 to 15½	.....	1,800,000	618,000,000	61,500,000	.....	.....	10.00	.83	.....	10.83
31 Haiti.	Gold*	1 to 15½	.....	1,000,000	63,000,000	62,100,000	6800,000	64,200,000	3.00	2.90	4.20	10.10
32 Bulgaria.	Gold*	1 to 15½	1 to 14.38	4,300,000	6800,000	63,400,000	3,400,000	.....	.18	1.58	.....	1.76
Total.	.....	.....	.....	.....	\$4,086,800,000	\$3,439,300,000	\$631,900,000	\$2,564,800,000	.....	.....	.....	.....

* In these countries silver is a legal tender, but coined only to a limited extent and for government account, by which means the gold standard is maintained. In Germany and Austria-Hungary some old legal tender silver is still current. *f* Actual standard, depreciated paper. *c* Information furnished through United States representatives. *a* November 1, 1895; all other countries, January 1, 1895. *b* Estimate, Bureau of the Mint. *d* Haupt. *e* Except Venezuela and Chili. *f* Bulletin de Statistique.

Circulation Per Capita in the United States, 1860-1896.



CIRCULATING MEDIA OF THE UNITED STATES.

OCTOBER 1871 1894.

Gold
Certif.
\$64. M.

Silver
\$54.
M.
Dollars
Subsidiary

\$58.
M.
Silver
Treasury
Notes
(1890)
\$121. M.

Currency
\$55.
M.
Certif's

Nat'l B'k
Notes
\$202. M.

Deposit
Currency
of
National Banks, Trust Cos.,
Private Banks. & c

\$2963. Millions.

Gold Coin
\$500. M.

Silver
Certificates
\$330. M.

U. S.
Notes
\$267. M.

[Laughlin : "Facts about Money."]

Circulation References.—The table on the opposite page is taken mainly from the report of the Director of the Mint for 1895 (pp. 40, 41). For the detailed information upon which it is largely based see same report, pp. 316-404.—For an admirable chart showing circulation of silver dollars and silver certificates, see frontispiece to Report of the Secretary of the Treasury, 1894.—The annual report of the Treasurer gives tables showing the amount of money of each kind outstanding, in the treasury and in circulation, at the end of each month since 1878.

CLEARING HOUSES.

TRANSACTIONS OF THE **New York Clearing House** FOR FORTY-TWO YEARS.
[Report of the Comptroller of the Currency, 1895, p. 485.]

Year.	No. of banks.	Capital.	Clearings.	Balances paid in money.	Average daily clearings.	Average daily balances paid in money.	Balances to clearings.
							<i>Per ct.</i>
1854.....	50	\$47,044,900	\$5,750,455,987	\$297,411,494	\$19,104,505	\$988,078	5.2
1855.....	48	48,884,180	5,362,912,098	289,694,137	17,412,052	940,565	5.4
1856.....	50	52,883,700	6,906,213,328	334,714,489	22,278,108	1,079,724	4.8
1857.....	50	64,420,200	8,333,226,718	365,313,902	26,968,371	1,182,246	4.4
1858.....	46	67,146,018	4,756,664,386	314,233,911	15,393,736	1,016,954	6.6
1859.....	47	67,921,714	6,448,005,956	363,984,683	20,867,333	1,177,944	5.6
1860.....	50	69,907,435	7,231,143,057	380,693,438	23,401,757	1,232,018	5.3
1861.....	50	68,900,605	5,915,742,758	353,383,944	19,269,520	1,151,088	6.0
1862.....	50	68,375,820	6,871,443,591	415,530,331	22,237,682	1,344,758	6.0
1863.....	50	68,972,508	14,867,597,849	677,626,483	48,428,657	2,207,252	4.6
1864.....	49	68,586,763	24,097,196,656	85,719,205	77,984,455	2,866,405	3.7
1865.....	55	80,363,013	26,032,384,342	1,035,765,108	84,796,040	3,373,828	4.0
1866.....	58	82,370,200	28,717,146,914	1,066,135,106	93,541,195	3,472,753	3.7
1867.....	58	81,770,200	28,675,159,472	1,144,963,451	93,101,167	3,717,414	4.0
1868.....	59	82,270,200	28,484,288,637	1,125,455,237	92,182,164	3,642,250	4.0
1869.....	59	82,720,200	37,407,028,987	1,120,318,308	121,451,393	3,637,397	3.0
1870.....	61	83,620,200	27,804,539,406	1,036,484,822	90,274,479	3,365,210	3.7
1871.....	62	84,420,200	29,300,986,682	1,209,721,029	95,133,074	3,927,666	4.1
1872.....	61	84,420,200	32,844,369,568	1,428,582,707	109,884,317	4,633,632	4.2
1873.....	59	83,370,200	35,461,052,826	1,474,508,025	115,885,794	4,818,654	4.1
1874.....	59	81,635,200	22,855,927,636	1,286,753,176	74,692,574	4,205,076	5.7
1875.....	59	80,435,200	25,061,237,902	1,408,608,777	81,899,470	4,603,297	5.6
1876.....	59	81,731,200	21,597,274,247	1,295,042,029	70,349,428	4,218,378	5.9
1877.....	58	71,085,200	23,289,243,701	1,373,996,302	76,358,176	4,504,906	5.9
1878.....	57	63,611,500	22,508,438,442	1,307,813,857	73,555,988	4,274,000	5.8
1879.....	59	60,800,200	25,178,770,691	1,400,111,063	82,015,540	4,560,622	5.6
1880.....	57	60,475,200	37,182,128,621	1,516,588,631	121,510,224	4,956,009	4.1
1881.....	60	61,162,700	48,565,818,212	1,776,018,162	159,232,191	5,823,010	3.5
1882.....	61	60,962,700	46,552,846,161	1,595,000,245	151,637,935	5,195,440	3.4
1883.....	63	61,162,700	40,293,165,258	1,568,983,196	132,543,307	5,161,129	3.9
1884.....	61	60,412,700	34,092,037,333	1,524,930,994	111,048,982	4,967,202	4.5
1885.....	64	58,612,700	25,250,791,440	1,295,355,252	82,789,480	4,247,069	5.1
1886.....	63	59,312,700	33,374,682,216	1,519,565,383	109,067,589	4,965,900	4.5
1887.....	64	60,862,700	34,872,848,786	1,569,626,325	114,337,209	5,146,316	4.5
1888.....	63	60,762,700	30,863,686,609	1,570,198,528	101,192,415	5,148,192	5.1
1889.....	63	60,762,700	34,796,465,539	1,757,637,473	114,839,820	5,800,784	5.0
1890.....	64	60,812,700	37,660,636,572	1,753,040,145	123,074,139	5,728,889	4.7
1891.....	63	60,772,700	34,053,698,770	1,584,635,500	111,651,471	5,195,526	4.6
1892.....	64	60,422,700	36,279,905,236	1,861,500,575	118,561,782	6,083,235	5.1
1893.....	64	60,922,700	34,421,380,870	1,696,207,173	113,978,082	5,616,580	4.9
1894.....	65	61,622,700	24,530,145,368	1,585,241,634	79,704,426	5,246,611	6.5
1895.....	66	62,622,700	28,264,379,126	1,896,574,349	92,670,095	6,282,276	6.7

COMPARATIVE STATEMENT OF THE EXCHANGES OF CERTAIN **Clearing Houses** OF
THE UNITED STATES FOR FOUR YEARS.

[Comptroller of the Currency, 1895, p. 488.]

62,622,700

Clearing house at—	Exchanges for years ended September 30—			
	1895.	1894.	1893.	1892.
New York.....	\$28,264,379,126	\$24,230,145,368	\$31,421,379,870	\$36,279,905,236
Boston.....	4,629,303,920	4,095,997,060	4,864,779,750	4,901,096,976
Chicago.....	4,541,435,621	4,263,560,459	4,970,913,387	4,959,861,142
Philadelphia.....	3,395,864,543	2,962,542,203	3,656,677,140	3,671,149,047
St. Louis.....	1,218,425,682	1,106,770,443	1,188,378,457	1,211,370,719
San Francisco.....	671,892,105	647,848,503	72,919,766	833,617,126
Baltimore.....	685,004,866	663,214,331	737,568,241	772,435,133
Pittsburgh.....	711,773,043	630,268,354	711,547,291	743,635,356
Cincinnati.....	653,228,500	630,364,300	679,051,000	728,711,350
Kansas City.....	507,805,333	464,394,145	507,454,919	494,906,132
New Orleans.....	451,679,488	445,671,170	523,996,645	488,931,005
Minneapolis.....	337,201,924	298,085,090	377,785,380	427,287,201
Detroit.....	23,343,355	232,755,354	353,558,369	347,737,532
Louisville.....	309,891,324	308,993,881	356,361,823	368,698,812
Other cities.....	4,395,361,095	4,007,886,111	4,778,280,417	4,654,229,671
Total.....	\$51,111,591,928	\$45,028,496,746	\$58,880,682,455	\$60,883,572,438

The above table, extended so as to cover specifically each of the clearing houses in the country, may be found in the Report of the Comptroller of the Currency, 1895, p. 488, and Finance Report, 1894, p. 563. The Statistical Abstract for 1891 pp. 48-51, contains comparative statistics of clearings for over sixty clearing houses for eight years past.

[From Report of the Director of Mint, 1895, pp. 286-293.]

Calen- dar years.	GOLD COINAGE.					SILVER COINAGE.			TOTAL COINAGE.				Cal- endar years.
	Double eagles.	Eagles.	Half- eagles.	Three dollars.	Quarter- eagles.	Dollars.	Trade dollars.	Subsidiary silver.	Gold.	Silver.	Minor.	Total.	
1793 }		\$27,950	\$43,535			\$204,791		\$165,892.80	\$71,485.00	\$370,683.80	\$11,373.00	\$453,541.80	1793 }
1795 }													1795 }
1796		60,800	16,995			72,920		4,198.50	77,960.00	77,118.50	10,324.40	165,402.90	1796
1797		91,770	32,030		\$165.00	7,776		6,774.45	128,190.00	14,550.45	9,510.34	152,250.79	1797
1798		79,740	124,335		4,390.00	327,536		2,755.00	205,610.00	330,291.00	9,797.00	545,698.00	1798
1799		174,830	37,255		1,535.00	423,515			213,285.00	423,515.00	9,106.68	645,906.68	1799
1800		259,650	58,110		1,200.00	230,920		3,376.00	317,760.00	224,296.00	29,279.40	571,335.40	1800
1801		292,540	130,030			54,454		20,304.00	422,570.00	74,758.00	13,628.37	510,956.37	1801
1802		265,000	265,880		6,530.00	41,650		16,693.00	423,310.00	324,422.83	34,422.83	516,075.83	1802
1803		167,530	167,530		1,037.50	6,064		21,054.00	258,377.50	87,118.00	25,203.03	370,698.53	1803
1804		152,375	152,375		8,317.50	19,570		80,770.50	258,642.50	100,340.50	12,841.94	371,827.94	1804
1805		165,915	165,915		4,452.50	321		149,067.50	170,367.50	149,388.50	13,483.48	333,239.48	1805
1806		320,465	320,465		4,040.00			471,319.00	324,505.00	471,319.00	5,260.00	801,084.00	1806
1807		1807	420,465		17,030.00			597,448.75	437,495.00	597,448.75	9,632.21	1,044,595.96	1807
1808		277,890	277,890		6,775.00			684,300.00	284,665.00	684,300.00	13,090.00	982,055.00	1808
1809		169,375	169,375					707,376.00	169,375.00	707,376.00	8,001.53	881,752.53	1809
1810		501,435	501,435					638,773.50	501,435.00	638,773.50	15,660.00	1,155,808.50	1810
1811		497,905	497,905					608,340.00	497,905.00	608,340.00	2,495.95	1,108,740.95	1811
1812		290,435	290,435					814,029.50	290,435.00	814,029.50	10,755.00	1,115,219.50	1812
1813		477,140	477,140					620,951.50	477,140.00	620,951.50	4,180.00	1,102,271.50	1813
1814		77,270	77,270					561,687.50	77,270.00	561,687.50	3,578.30	642,535.80	1814
1815		3,175	3,175					17,308.00	3,175.00	17,308.00		20,483.00	1815
1816								28,575.75		28,575.75	28,209.52	56,785.27	1816
1817								607,783.50		607,783.50	39,484.00	647,267.50	1817
1818		242,940	242,940					1,070,454.50	242,940.00	1,070,454.50	31,670.00	1,315,064.50	1818
1819		258,615	258,615					1,140,000.00	258,615.00	1,140,000.00	26,710.00	1,425,325.00	1819
1820		1,319,030	1,319,030					501,680.70	1,319,030.00	501,680.70	44,075.50	1,864,786.20	1820
1821		173,205	173,205		16,120.00			825,762.45	189,325.00	825,762.45	3,890.00	1,018,977.45	1821
1822		88,980	88,980					805,806.50	88,980.00	805,806.50	20,723.39	915,509.89	1822
1823		72,425	72,425					895,550.00	72,425.00	895,550.00		967,975.00	1823
1824		86,700	86,700		6,500.00			1,752,477.00	98,200.00	1,752,477.00	12,620.00	1,858,297.00	1824
1825		145,800	145,800		11,085.00			1,564,583.00	156,385.00	1,564,583.00	14,926.00	1,735,894.00	1825
1826		90,345	90,345		1,900.00			2,002,090.00	92,245.00	2,002,090.00	16,344.25	2,110,679.25	1826
1827		124,565	124,565		7,000.00			2,869,200.00	131,565.00	2,869,200.00	23,577.32	3,021,342.32	1827
1828		140,145	140,145					1,575,000.00	140,145.00	1,575,000.00	25,636.24	1,741,381.24	1828
1829		287,210	287,210		8,507.50			1,933,078.00	295,717.50	1,994,578.00	16,580.00	2,306,875.50	1829
1830		631,755	631,755		11,350.00			2,495,400.00	643,105.00	2,495,400.00	17,115.00	3,155,620.00	1830
1831		702,970	702,970					3,175,600.00	714,270.00	3,175,600.00	33,603.60	3,923,473.60	1831
1832		787,435	787,435		11,000.00			2,579,000.00	798,435.00	2,579,000.00	23,620.00	3,401,055.00	1832
1833		968,150	968,150		10,400.00			2,759,000.00	978,550.00	2,759,000.00	28,160.00	3,765,710.00	1833
1834		3,660,845	3,660,845		293,425.00			3,415,002.00	3,954,270.00	8,415,002.00	19,151.00	7,388,423.00	1834

COINAGE OF THE MINTS OF THE UNITED STATES FROM THEIR ORGANIZATION, BY CALENDAR YEARS—(Continued).

Calen- dar years.	GOLD COINAGE.				SILVER COINAGE.				TOTAL COINAGE.				Cal- endar years.	
	Double eagles.	Eagles.	Half- eagles.	Three dollars.	Quarter- eagles.	Dollars.	Trade dollars.	Dollars.	Subsidiary silver.	Gold.	Silver.	Minor.		Total.
1835			\$1,857,670		\$328,505.00				\$3,443,003.00	\$2,186,175.00	\$3,443,003.00	\$39,489.00	\$5,668,667.00	1835
1836			2,705,735		1,369,965.00				3,605,100.00	4,135,700.00	3,605,100.00	23,100.00	7,764,900.00	1836
1837			1,035,605		112,700.00			\$1,000	2,096,010.00	1,148,305.00	2,096,010.00	55,583.00	3,299,898.00	1837
1838			1,600,420		137,345.00				2,333,243.40	1,809,765.00	2,333,243.40	63,702.00	4,206,710.40	1838
1839		\$72,000	802,745		191,622.50			300	2,209,478.20	1,376,847.50	2,209,478.20	31,286.61	3,617,912.31	1839
1840		473,380	1,048,530		153,572.50			61,005	1,665,698.00	1,675,482.50	1,726,703.00	24,627.00	3,426,812.50	1840
1841		656,310	380,945		54,602.50			173,000	959,750.00	1,091,857.50	1,132,750.00	15,973.67	2,340,581.17	1841
1842		1,089,070	655,330		85,007.50			184,618	2,148,132.00	1,829,407.50	2,332,750.00	23,833.90	4,185,991.40	1842
1843		2,506,240	4,275,425		1,327,132.50			165,100	3,669,650.00	8,108,797.50	3,834,450.00	24,283.20	11,967,830.70	1843
1844		1,250,610	4,087,715		89,345.00			20,000	2,215,550.00	5,427,670.00	2,235,550.00	23,987.52	7,687,207.52	1844
1845		736,530	2,743,640		276,277.50			24,500	1,848,700.00	3,756,447.50	1,873,200.00	38,948.04	5,668,595.54	1845
1846		1,018,750	2,736,155		279,272.50			169,600	2,388,980.00	4,034,177.50	2,558,580.00	41,208.00	6,633,965.50	1846
1847		14,337,580	5,382,685		482,060.00			140,750	2,233,700.00	20,202,325.00	2,374,450.00	61,836.69	22,638,611.69	1847
1848		1,813,340	1,863,560		98,612.50			15,000	2,025,050.00	3,775,512.50	2,040,050.00	64,157.99	5,879,720.49	1848
1849		6,775,180	1,184,645		111,147.50	\$936,789		62,600	2,032,350.00	9,007,761.50	2,114,950.00	41,984.32	11,164,695.82	1849
1850	\$26,225,220	3,489,510	860,160		895,547.50	511,301		47,500	1,818,600.00	31,981,738.50	1,866,100.00	44,467.50	33,892,306.00	1850
1851	48,043,100	4,398,280	2,651,955		3,867,337.50	3,658,820		1,300	773,097.00	62,614,492.50	774,397.00	99,635.43	63,488,524.93	1851
1852	44,860,520	2,811,060	3,689,635		3,283,827.50	2,201,145		1,100	998,310.00	56,846,187.50	999,410.00	50,630.94	57,896,228.44	1852
1853	26,646,620	2,522,530	2,305,095		3,519,615.00	1,657,016		46,110	9,031,461.00	39,377,909.00	9,077,571.00	67,059.78	48,532,539.78	1853
1854	18,052,340	2,305,760	1,513,235	\$491,214	1,896,397.50	1,657,016		33,140	8,586,130.00	25,915,962.50	8,619,270.00	42,638.35	34,577,870.85	1854
1855	25,046,820	1,487,010	1,257,090	171,465	600,700.00	824,883		26,000	3,475,245.00	29,387,968.00	3,501,245.00	16,030.79	32,905,243.79	1855
1856	30,437,560	1,429,900	1,806,665	181,530	1,213,117.50	1,788,996		63,500	5,078,740.00	36,857,768.50	5,142,240.00	27,106.78	42,027,115.28	1856
1857	28,797,500	481,060	1,232,970	104,673	796,235.00	801,602		94,000	5,384,760.00	32,214,040.00	5,478,760.00	178,010.46	37,870,810.46	1857
1858	21,873,480	343,210	439,770	6,399	144,082.50	131,472			8,495,370.00	22,938,413.50	8,495,370.00	246,000.00	31,679,783.50	1858
1859	21,782,840	253,930	361,235	46,914	142,220.00	193,431		636,500	2,647,950.00	14,780,570.00	3,284,450.00	364,000.00	18,429,020.00	1859
1860	22,584,400	278,830	352,365	42,465	164,360.00	51,234		733,930	1,525,460.00	23,473,654.00	2,259,390.00	205,660.00	25,938,704.00	1860
1861	74,989,060	1,287,330	3,332,130	18,216	3,241,295.00	527,499		78,500	3,705,240.00	83,395,530.00	3,783,740.00	101,000.00	87,280,270.00	1861
1862	18,926,120	234,950	69,825	17,355	300,882.50	1,326,865		12,090	1,240,426.50	20,875,997.50	1,252,516.50	280,750.00	22,409,264.00	1862
1863	32,187,200	112,480	97,360	15,117	27,075.00	6,250		27,660	781,607.80	22,445,482.00	809,267.80	498,400.00	23,753,149.80	1863
1864	19,958,900	60,800	40,540	8,040	7,185.00	5,950		31,170	578,747.10	20,081,415.00	909,917.10	926,687.14	21,618,019.24	1864
1865	27,874,000	207,050	144,535	3,495	63,302.50	3,725		47,000	644,005.00	28,295,107.50	691,005.00	968,552.86	29,954,665.36	1865
1866	30,820,500	237,800	253,200	12,090	105,175.00	7,180		49,625	932,784.25	31,435,945.00	982,409.25	1,042,960.00	33,481,314.25	1866
1867	23,436,300	121,400	179,600	7,950	78,125.00	5,250		60,325	848,551.25	23,828,625.00	908,876.25	1,819,910.00	26,557,411.25	1867
1868	18,722,000	241,550	288,625	14,625	94,062.50	10,525		182,700	891,643.00	19,371,387.50	1,074,343.00	1,697,150.00	22,142,880.50	1868
1869	17,238,100	82,850	163,925	7,575	84,612.50	5,925		424,300	841,843.00	17,582,987.50	1,266,143.00	963,000.00	19,812,130.50	1869
1870	22,819,480	164,430	143,550	10,605	51,387.50	9,335		445,462	932,723.50	23,198,787.50	1,378,255.50	350,325.00	24,927,368.00	1870
1871	20,456,740	254,650	245,000	8,900	68,375.00	3,930		1,117,136	1,986,902.30	21,032,685.00	8,104,038.30	99,890.00	24,236,613.30	1871
1872	21,230,600	244,500	275,350	6,090	52,575.00	3,530		1,118,600	1,385,888.50	21,812,645.00	2,504,488.50	369,380.00	24,686,513.50	1872
1873	55,456,700	173,680	754,605	75	512,562.50	125,125		296,600	2,503,147.60	57,022,747.50	4,024,747.60	379,455.00	61,436,950.10	1873
1874	33,917,700	799,270	203,530	125,460	9,850.00	198,820			1,941,776.70	35,254,630.00	6,851,776.70	342,475.00	42,448,881.70	1874
1875	32,737,820	78,350	105,240	60	30,050.00	420			9,068,293.00	32,951,940.00	15,347,893.00	246,970.00	48,546,803.00	1875
1876	46,386,920	104,280	61,820	135	53,052.50	8,245			18,311,157.50	46,579,452.50	24,503,307.50	210,800.00	71,293,560.00	1876
1877	43,504,700	211,490	182,660	4,464	92,630.00	3,920			15,300,335.50	43,999,864.00	28,303,045.50	8,525.00	72,401,434.50	1877

Calen- dar years.	GOLD COINAGE.					SILVER COINAGE.				TOTAL COINAGE.				Cal- endar years.
	Double eagles.	Eagles.	Half- eagles.	Three dollars.	Quarter- eagles.	Dollars.	Trade dollars.	Dollars.	Subsidiary silver.	Gold.	Silver.	Minor.	Total.	
1878....	\$45,916,500	\$1,031,440	\$1,427,470	\$246,972	\$1,160,650.00	\$3,020	\$4,259,900	\$22,495,550	\$1,763,400.00	\$4,786,052.00	\$28,518,850.00	\$58,186.50	\$78,363,088.50	1878
1879....	28,889,260	6,120,320	3,727,155	9,090	331,225.00	3,030	1,541	27,560,100	8,135.00	39,080,080.00	27,569,776.00	165,003.00	66,814,859.00	1879
1880....	17,749,120	21,715,160	22,831,765	3,108	7,490.00	1,636	1,987	27,397,355	12,351.75	62,308,279.00	27,411,693.75	391,395.95	90,111,368.70	1880
1881....	14,585,200	48,796,250	33,458,430	1,650	1,700.00	7,660	960	27,927,975	11,228.75	96,850,890.00	27,940,163.75	428,151.75	125,219,205.50	1881
1882....	23,235,400	24,740,640	17,831,885	4,620	10,100.00	5,040	1,097	27,574,100	397,935.00	65,887,685.00	27,973,132.00	960,400.00	94,821,217.00	1882
1883....	24,980,040	2,565,400	1,647,990	2,820	4,900.00	10,840	979	28,470,039	775,950.45	29,241,990.00	29,246,968.45	1,604,770.41	60,093,728.86	1883
1884....	19,944,200	2,110,800	1,923,250	3,318	4,982.50	6,206	.....	28,136,875	397,991.15	23,991,756.50	28,534,866.15	796,483.78	53,323,106.43	1884
1885....	13,875,560	4,815,270	9,065,030	2,730	2,217.50	12,205	.....	28,697,767	264,409.20	27,773,012.50	28,962,176.20	191,622.04	56,926,810.74	1885
1886....	22,120	10,621,600	18,282,160	3,426	10,220.00	6,016	.....	31,423,886	662,823.90	28,945,542.00	32,086,709.90	343,186.10	61,375,438.00	1886
1887....	5,662,420	8,706,800	9,560,435	18,480	15,705.00	8,543	.....	33,611,710	1,579,371.40	23,972,383.00	35,191,081.40	1,215,686.26	60,379,150.66	1887
1888....	21,717,320	8,030,310	1,560,980	15,873	40,245.00	16,080	.....	31,990,833	1,034,773.45	31,380,808.00	33,025,606.45	912,200.78	65,318,615.23	1888
1889....	16,995,120	4,298,850	37,825	7,287	44,120.00	30,729	.....	34,651,811	844,872.15	21,413,931.00	35,406,683.15	1,283,408.49	58,194,022.64	1889
1890....	19,399,080	755,430	290,640	.....	22,032.50	.....	.....	38,043,004	1,159,904.20	20,467,182.50	39,202,908.20	1,384,792.14	61,054,832.84	1890
1891....	25,891,340	1,956,000	1,347,065	.....	27,600.00	.....	.....	23,562,735	3,956,121.60	29,222,005.00	27,518,856.60	1,312,441.00	58,053,302.60	1891
1892....	19,238,760	9,817,400	5,724,700	.....	6,362.50	.....	.....	6,333,245	*6,307,833.00	34,787,222.50	12,641,078.00	961,480.42	48,389,780.92	1892
1893....	27,178,320	20,132,450	9,610,985	.....	75,265.00	.....	.....	1,455,792	†7,347,005.30	56,997,020.00	8,802,797.30	1,134,931.70	66,934,749.00	1893
1894....	48,350,800	26,032,780	5,152,275	.....	10,305.00	.....	.....	3,093,972	6,106,378.85	79,546,160.00	9,300,350.85	438,177.92	89,184,688.77	1894
1895....	45,163,120	7,148,260	7,289,680	.....	15,297.50	.....	.....	862,890	4,835,120.25	59,616,357.50	6,698,010.25	882,430.56	66,196,798.31	1895
1896\$....	21,826,400	262,780	419,680	.....	14,712.50	.....	.....	7,500,412	1,356,301.70	22,523,572.50	8,856,713.70	466,086.32	31,846,372.52	\$1896
1,277,693,220	266,538,270	220,631,035	1,619,376	28,711,015.00	19,492,337	35,965,924	438,821,279	221,677,150.10	1,814,692,253.00	696,464,343.10	27,830,018.67	2,538,986,644.77		

* Includes \$475,000 in Columbian coins.

† Includes \$2,036,058.25 in Columbian coins.

§ First six months to June 30, 1896.

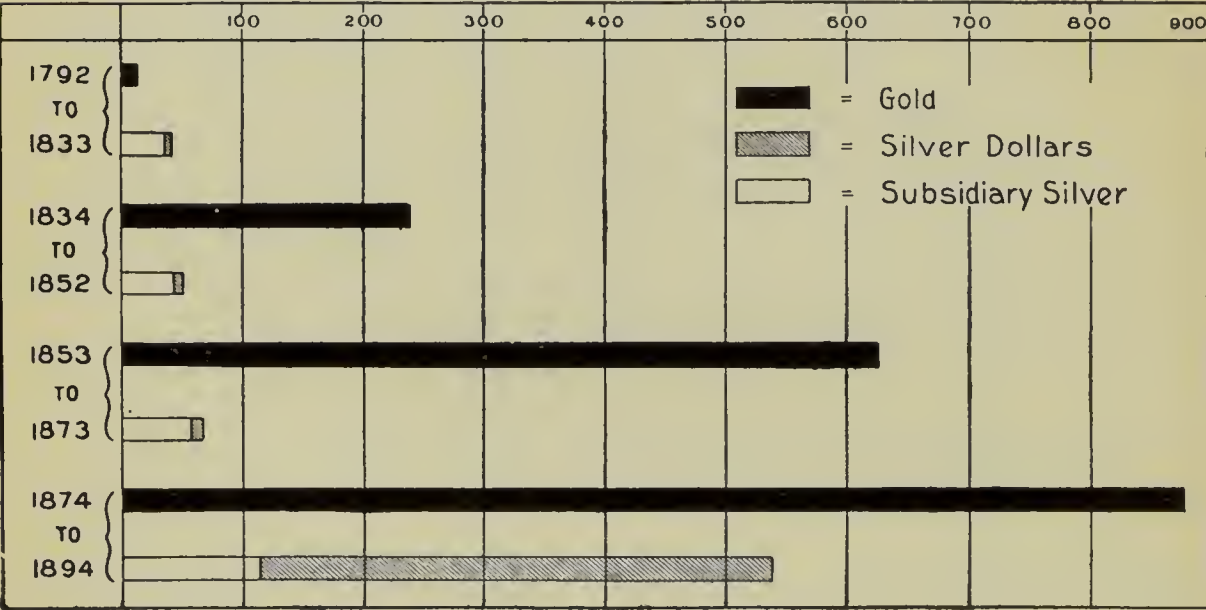
COINAGE OF GOLD AND SILVER IN THE UNITED STATES BY PERIODS.

Period.	Gold.	Silver Coinage.			Total Gold and Silver.
		Silver Dollars.	Subsidiary Silver.	Total Silver.	
1792-1833 (42 years)	\$11,825,890 07	\$1,439,517	\$34,835,560 90	\$36,275,077 90	\$48,100,967 90
1834-1852 (19 years) ...	224,962,920 00	1,113,481	41,853,293 60	42,966,776 60	267,929,696 60
1853-1873 (21 years).....	615,325,627 50	5,478,238	62,769,805 80*	68,248,043 80	683,573,671 30
1874-1894 (21 years)....	880,437,885 50	422,426,749	111,992,971 85†	534,419,720 85	1,414,857,606 35
Total	1,732,552,323 00	430,457,987	251,451,632 15	681,909,619 15	2,414,461,942 15

* Including \$1,225,000 trade dollars.

† Including \$34,740,924 trade dollars.

Coinage of Gold and Silver in the United States, by Periods.



COINAGE OF NATIONS.

[Report, Director of Mint, 1894, p. 161.]

Countries.	1892.		1893.		1894.	
	Gold.	Silver.	Gold.	Silver.	Gold.	Silver.
United States	\$34,787,223	\$12,641,078	\$56,997,020	\$8,802,797	\$79,546,160	\$9,200,351
Mexico	275,203	26,782,721	493,167	28,005,396	551,107	29,481,033
Great Britain	67,682,501	3,790,673	45,094,210	5,296,728	27,633,807	4,002,657
Australasia	30,784,262		32,059,354		35,203,618	
India*		52,258,747		39,544,591		2,288,504
France	871,225		9,832,068		1,897,395	772,000
Germany	8,863,874	1,237,864	26,280,188	2,093,713	37,433,154	1,067,945
Russia†	555,909	2,920,484	2,315,493	2,499,874	2,315,181	233,851
Austria-Hungary	14,038,714	45,315,069	\$55,867,730	\$18,468,664	\$40,395,456	\$10,742,232
Italy	130,105	22,997	159,086			
Spain	9,381,062	8,917,860		3,290,591		3,946,225
Japan	1,319,525	12,307,062	1,306,070	12,307,062	1,576,440	24,131,363
Portugal		3,075,840		1,412,640		478,440
Netherlands	245	1,567,800		562,800	70,897	160,800
Norway		120,600		134,000		120,600
Sweden		78,996		26,171	165,239	46,443
Denmark		242,207				121,593
Switzerland ..	386,000		386,000		465,516	579,000
Turkey	140,672	883,464	736,989	874,628	84,403	450,018
Hong Kong		1,100,000		1,500,000		2,100,000
China		3,500,000		4,249,960		6,000,000
South America		6,488,763		5,445,667		4,766,492
All others	3,256,602	12,023,059	759,138	3,417,818	579,329	12,406,231
Total	172,473,124	155,517,347	232,420,517	137,952,690	227,921,032	113,095,788

* Rupee calculated at coining rate, \$0.4737.

† Silver rouble calculated at coining rate, \$0.7718.

‡ Silver florin calculated at coining rate, \$0.482

§ Florin calculated at coining rate, \$0.4052, under the Coinage Act of August 2, 1892.

CREDIT INSTRUMENTS.

PERCENTAGE OF CREDIT INSTRUMENTS IN TOTAL RECEIPTS OF NATIONAL BANKS ON
VARIOUS DATES.

[Compiled from Reports of the Comptroller of Currency.]

Cities.	June 30, 1881.	September 17, 1881.	July 1, 1890.	September 17, 1890.	September 15, 1892.
New York.....	98.70	98.80	96.04	95.64	92.36
Chicago.....	92.00	90.30	95.11	95.06	94.52
Boston.....	96.50	93.70	94.14	90.70	93.11
Philadelphia.....	96.00	96.40	96.19	93.48	93.92
Cincinnati.....	88.00	90.00	92.34	93.50	94.64
Baltimore.....	92.90	93.90	89.89	89.16	82.46
Pittsburgh.....	90.40	86.20	92.37	90.00	90.02
Albany.....	93.80	96.50	92.97	96.60	95.33
Washington.....	60.00	45.80	65.27	32.65	66.65
New Orleans.....	89.80	80.20	90.09	82.83	87.16
Louisville.....	92.80	83.40	93.55	92.68	91.86
Cleveland.....	94.00	95.10	93.08	94.74	92.79
Detroit.....	87.50	93.50	87.31	95.61	91.82
Milwaukee.....	88.30	94.90	83.25	87.50	90.93
St. Louis.....	82.30	81.50	89.77	89.59	87.83
San Francisco.....	91.80	77.40	85.61	91.20	83.39
Reserve cities, except New York.	94.38	92.35	93.68	92.27	92.74
Cities other than reserve	81.72	81.74	84.09	82.91	84.91
Whole United States.....	95.13	94.09	92.50	91.04	90.61

CREDIT INSTRUMENTS IN RETAIL TRANSACTIONS.

[Report of Comptroller of Currency, 1894, p. 19.]

State.	Per Cent. of Money.	Per Cent. of Checks.	State.	Per Cent. of Money.	Per Cent. of Checks.
Alabama.....	35	65	Montana.....	27.3	72.7
Arizona.....	40.6	59.4	Nebraska.....	35.6	64.4
Arkansas.....	39.7	60.3	New Hampshire.....	42.9	57.1
California.....	58.4	41.6	New Jersey.....	49	51
Colorado.....	29.5	70.5	New Mexico.....	16.4	83.6
Connecticut.....	45.4	54.6	New York.....	42.5	57.5
Delaware.....	46.3	53.7	North Carolina.....	50.5	49.5
Florida.....	34	66	North Dakota.....	43.7	56.3
Georgia.....	29.8	70.2	Ohio.....	54.8	45.2
Idaho.....	45.7	54.3	Oklahoma.....	39.2	60.8
Illinois.....	44.8	55.2	Oregon.....	51	49
Indiana.....	54.7	45.3	Pennsylvania.....	47.9	52.1
Iowa.....	40.6	59.4	Rhode Island.....	41	59
Kentucky.....	46.1	53.9	South Dakota.....	62.4	37.6
Kansas.....	34.3	65.7	Tennessee.....	42.9	57.1
Louisiana.....	33.6	66.4	Texas.....	32.5	67.5
Maine.....	37.7	62.3	Utah.....	43.7	56.3
Maryland.....	41.9	58.1	Vermont.....	37.8	62.2
Massachusetts.....	50.5	49.5	Virginia.....	25.2	74.8
Michigan.....	45.1	54.9	West Virginia.....	36	64
Mississippi.....	13.5	86.5	Washington.....	33.2	66.8
Minnesota.....	56.8	43.2	Wisconsin.....	40.5	59.5
Missouri.....	35.7	64.3	Wyoming.....	56.4	43.6

The above table summarizes the results of an investigation made by the Comptroller of the Currency in 1894. They indicate the relative amounts of cash and credit instruments respectively in the deposits in National banks, by retail merchants throughout the United States.

GOLD.

CURRENCY VALUE OF GOLD.

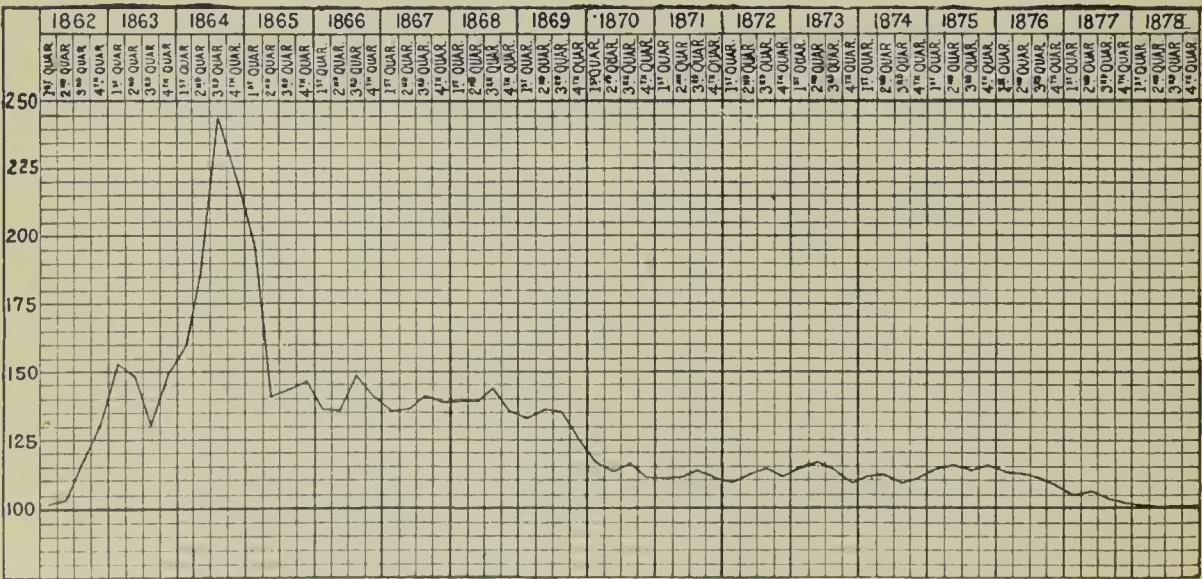
Table showing the Value in Currency of One Hundred Dollars in Gold in the New York Market, by Months, Quarter Years, Half Years, Calendar Years and Fiscal Years, January 1, 1862, to December 31, 1878, both inclusive.

[Bureau of Statistics Quarterly Reports, 1878-9, p. 116.]

PERIODS.	1862	1863	1864	1865	1866	1867	1868	1869	1870	1871	1872	1873	1874	1875	1876	1877	1878
Jan	102.5	145.1	155.5	216.2	140.1	134.6	138.5	135.6	121.3	110.7	109.1	112.7	111.4	112.5	112.8	106.3	102.1
Feb.....	103.5	160.5	158.6	205.5	138.4	137.4	141.4	134.4	119.5	111.5	110.3	114.1	112.3	114.5	113.4	105.4	102
Mar.....	101.8	154.5	162.9	173.8	130.5	135	139.5	131.3	112.6	111	110.1	115.5	112.1	115.5	113.3	104.8	101.2
Apr.....	101.5	151.5	172.7	149.5	127.3	135.6	138.7	132.9	113.1	110.6	111.1	117.8	113.4	114.8	113	106.2	100.6
May	103.3	148.9	176.3	135.6	131.8	137	139.6	139.2	114.7	111.5	113.7	117.7	112.4	115.8	112.6	106.9	100.7
June.....	106.5	144.5	210.7	140.1	148.7	137.5	140.1	138.1	112.9	112.4	113.9	116.5	111.3	117	112.5	105.4	100.8
July	115.5	130.6	258.1	142.1	151.6	139.4	142.7	136.1	116.8	112.4	114.3	115.7	110	114.8	111.9	105.4	100.5
Aug.....	114.5	125.8	251.1	143.5	148.7	140.8	145.5	134.2	117.9	112.4	114.4	115.4	109.7	113.5	111.2	105	100.5
Sept	118.5	134.2	222.5	143.9	145.5	143.4	143.6	136.8	114.8	114.5	113.5	112.7	109.7	115.8	110	103.3	100.4
Oct	128.5	147.7	207.2	145.5	148.3	143.5	137.1	130.2	112.8	113.2	113.2	108.9	110	116.4	109.7	102.8	100.5
Nov.....	131.1	148	233.5	147	143.8	139.6	134.4	126.2	111.4	111.2	112.9	108.6	110.9	114.7	109.1	102.8	100.2
Dec.....	132.3	151.1	227.5	146.2	136.7	134.8	135.2	121.5	110.7	109.3	112.2	110	111.7	113.9	107.9	102.8	100.1
1st qr. yr.	102.6	153.4	159	198.5	136.3	135.7	139.8	133.8	117.8	111.1	109.8	114.1	111.9	114.2	113.5	105.5	101.7
2d qr. yr..	103.8	148.3	186.6	141.4	135.9	136.7	139.5	136.7	113.6	111.5	112.9	117.3	112.4	115.9	112.7	106.2	100.7
3d qr. yr..	116.2	130.2	244.9	143.2	148.6	141.2	143.9	135.7	116.5	113.1	114.1	114.6	109.8	114.7	111	104.6	100.5
4th qr. yr.	130.6	148.9	222.7	146.2	142.9	139.3	135.6	126	111.6	111.2	112.8	109.2	110.9	115	108.9	102.8	100.3
1st half yr	103.2	150.8	172.8	169.9	136.1	136.2	139.6	135.3	115.7	111.3	111.4	115.7	112.2	115.1	113.1	105.9	101.2
2d half yr	123.4	139.6	233.8	144.7	145.8	140.3	139.8	130.8	114	121.1	113.4	111.9	110.3	114.8	109.9	103.7	100.4
Cal. yr. . .	113.3	145.2	203.3	157.3	140.9	138.2	139.7	133	114.9	111.7	112.4	113.8	111.2	114.9	111.5	104.3	100.8
Fiscal yr. ended June 30.	101.6	137.1	156.2	201.9	140.4	141	139.9	137.5	123.3	112.7	111.8	114.6	112	112.7	113.9	107.9	102.5

NOTE.—The monthly figures are averages of daily quotations, each of which is the mean of four: the opening, highest, lowest and closing prices in New York.

Chart Showing Currency Value of Gold, 1862-1878.

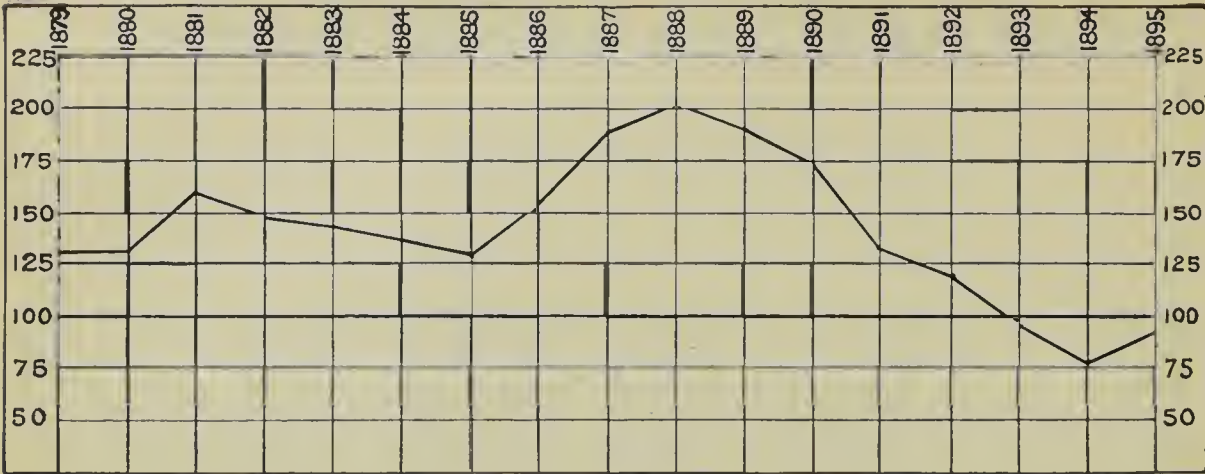


For Gold Par Equivalents in the coinage of the chief nations see "The World's Currencies" (Sound Currency, vol. ii, No. 4); or Norman's "The World's Metal Monetary Systems."
For the Premium over silver in France from 1820 to 1847, see Giffin's "The Case against Bimetallism" (1895), pp. 225-34.

Table showing total and net amount of GOLD COIN and BULLION in the Treasury from latest returns received at the end of each month; together with monthly receipts from CUSTOMS at New York, and percentage of each kind of money received.

	Total Gold in Treasury, Coin and Bullion.	Gold Certifi- cates in Circu- lation.	Net Gold in Treasury.	Customs Receipts at New York.	Gold Coin and Certificates. %	Silver Coin and Certificates. %	U. S. Treasury Notes. %
1891.							
January.....	\$297,567,546 04	\$155,839,449	\$141,728,097 04	\$16,794,456	88.6	2.1	9.3
February.....	296,831,953 14	147,119,129	149,712,824 14	12,280,373	81.1	6.6	12.3
March.....	292,433,218 50	144,317,069	148,118,149 50	10,520,414	65.1	16.5	18.4
April.....	280,633,039 99	138,890,799	141,742,240 99	7,711,917	47.2	20.0	32.8
May.....	255,331,502 93	122,124,339	133,207,163 93	7,449,775	28.0	26.8	45.2
June.....	233,518,121 59	120,850,399	117,667,722 59	9,131,418	12.5	14.0	73.5
July.....	236,848,413 24	115,715,389	121,113,024 24	11,303,169	15.1	8.5	76.4
August.....	240,741,487 66	108,273,079	132,471,408 66	10,460,330	12.8	5.2	82.0
September.....	244,974,790 94	112,451,569	132,523,221 94	9,961,740	11.8	4.5	83.7
October.....	263,774,741 81	136,100,319	127,674,422 81	9,337,291	20.0	4.4	75.6
November.....	271,843,193 35	142,649,969	129,193,224 35	8,502,785	43.6	2.8	53.6
December.....	278,846,749 90	148,106,119	130,740,630 90	9,314,666	65.4	3.1	31.5
1892.							
January.....	282,753,863 24	163,178,959	119,574,904 24	11,960,445	66.2	4.3	29.5
February.....	282,123,391 53	160,001,279	122,122,112 53	11,628,815	25.9	9.3	64.8
March.....	280,144,269 34	154,329,229	125,815,040 34	10,871,923	18.8	5.7	75.5
April.....	273,623,455 45	153,713,699	119,909,756 45	8,879,912	15.1	6.9	78.0
May.....	271,527,091 86	157,295,209	114,231,882 86	8,103,436	10.0	13.0	77.0
June.....	255,577,705 23	141,235,339	114,342,365 23	9,591,270	8.2	15.9	75.9
July.....	247,306,220 66	136,861,829	110,444,391 66	12,295,908	13.9	15.5	70.6
August.....	242,543,695 63	128,387,379	114,156,316 63	13,175,485	12.1	10.4	77.5
September.....	240,605,908 58	121,210,399	119,395,509 58	11,335,347	3.6	10.9	85.5
October.....	244,261,463 91	120,255,349	124,006,119 91	10,341,120	6.7	6.4	86.9
November.....	247,598,465 89	123,188,809	124,409,656 89	9,951,385	7.9	6.3	85.8
December.....	238,359,801 29	117,093,139	121,266,662 29	10,570,853	4.4	9.2	86.4
1893.							
January.....	228,827,532 53	120,645,819	108,181,713 53	15,291,892	8.9	15.8	75.3
February.....	217,672,947 91	114,388,729	103,284,218 91	12,439,230	9.2	20.7	70.1
March.....	218,378,232 99	111,486,009	106,892,223 99	12,805,678	7.8	15.7	76.5
April.....	202,233,359 08	105,272,029	97,011,330 08	9,717,539	3.0	23.3	73.7
May.....	196,518,609 76	101,469,969	95,048,640 76	9,967,707	0.1	37.8	62.1
June.....	188,455,432 59	92,970,019	95,485,413 59	9,337,798	.0	12.0	88.0
July.....	86,813,962 98	87,611,029	99,202,933 98	10,220,733	17.1	12.3	70.6
August.....	176,423,172 44	80,414,049	96,009,123 44	8,188,032	51.7	5.4	42.9
September.....	173,203,771 16	79,627,599	93,582,172 16	7,964,839	59.8	17.7	22.5
October.....	163,274,171 26	78,889,309	84,384,862 26	7,537,886	37.7	31.4	30.9
November.....	161,122,128 09	78,163,079	82,959,049 09	6,312,807	31.4	45.9	22.7
December.....	158,303,779 13	77,412,179	80,891,600 13	5,645,903	29.1	51.2	19.7
1894.							
January.....	142,665,594 37	77,015,419	65,650,175 37	8,315,531	17.6	59.4	23.0
February.....	177,462,797 49	70,935,729	106,527,068 49	7,424,084	7.7	56.3	36.0
March.....	176,456,044 63	70,306,909	106,149,135 63	7,448,479	3.9	49.5	46.6
April.....	170,192,457 63	69,990,449	100,202,008 63	6,732,696	2.8	65.7	31.5
May.....	148,067,816 58	69,374,549	78,693,267 58	6,233,234	2.3	81.1	16.6
June.....	131,217,433 55	66,344,409	64,873,024 55	5,181,179	1.9	83.7	14.4
July.....	120,922,336 41	65,947,229	54,975,607 41	6,175,379	0.0	59.5	40.5
August.....	120,885,869 49	65,668,969	55,216,900 49	8,723,031	0.5	43.0	51.5
September.....	123,665,756 92	64,790,439	58,875,317 92	9,692,868	0.1	23.6	76.3
October.....	125,613,895 73	64,252,069	61,361,826 73	8,228,744	0.0	27.1	72.9
November.....	164,350,468 01	58,925,899	105,424,569 01	6,769,678	0.0	31.9	68.1
December.....	139,606,354 05	53,361,909	86,244,445 05	7,432,396	0.4	39.0	60.6
1895.							
January.....	97,353,776 27	52,647,809	44,705,967 27	12,817,827	0.7	40.7	58.6
February.....	138,593,280 14	51,507,769	87,085,511 14	9,341,674	0.3	31.4	68.3
March.....	139,486,496 08	48,843,189	90,643,307 08	9,798,083	0.2	30.7	69.1
April.....	139,993,153 35	48,751,009	91,247,144 35	8,824,715	0.1	35.9	64.0
May.....	147,690,977 53	48,539,579	99,151,408 53	8,104,095	0.1	36.4	63.5
June.....	155,893,931 46	48,381,569	107,512,362 46	7,510,041	0.1	36.3	63.6
July.....	155,354,065 79	48,117,579	107,236,486 79	10,633,052	0.4	30.6	69.0
August.....	149,410,926 27	49,081,089	100,329,837 27	10,296,634	0.0	25.5	74.5
September.....	143,557,512 75	50,645,539	92,911,973 75	9,756,439	0.0	20.2	79.8
October.....	143,360,838 92	50,417,659	92,943,179 92	9,299,368	0.1	24.1	75.8
November.....	129,567,945	50,233,979	79,333,966	7,703,376	0.0	25.6	74.4
December.....	113,198,707	49,936,439	63,262,268	8,819,874	0.0	29.6	70.4
1896.							
January.....	99,693,357	49,847,849	49,845,508	10,424,267	0.0	49.9	50.1
February.....	167,693,999	43,733,079	123,962,980	10,077,426	0.0	43.8	56.2
March.....	171,885,710	43,239,249	123,646,461	9,319,874	0.0	33.3	66.7
April.....	168,446,459	43,052,559	125,393,900	7,583,921	0.0	36.6	63.4
May.....	151,307,143	42,961,909	108,345,234	7,359,996	0.3	48.8	50.9
June.....	144,020,364	42,320,759	101,699,605	7,213,357	0.0	58.7	41.3

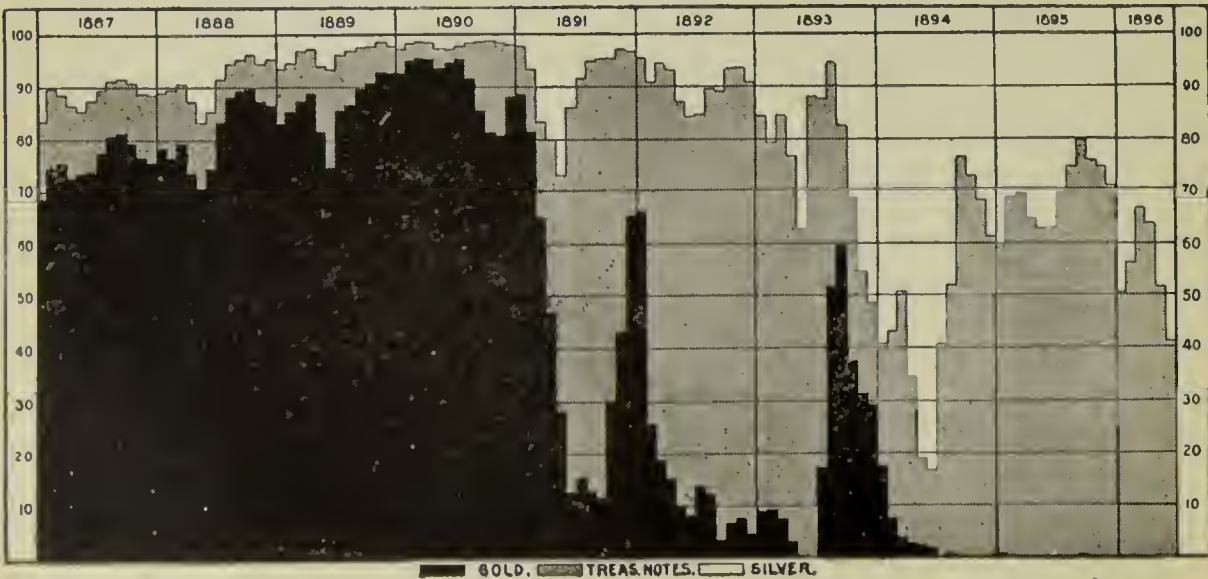
Chart Showing Average Yearly Net Gold Reserve, 1879-1895.



Net Gold Reserve, Monthly, 1887-1896.



Forms of Customs Receipts at New York, by Percentage.



[From 14.3 to 18.5 is from a table of averages for certain periods compiled by Dr. Adolph Soetbeer. For the years 1886 to 1894 the production is the annual estimate of the Bureau of the Mint.]

PERIOD.	GOLD.			SILVER.			PERCENTAGE OF PRODUCTION.				
	ANNUAL AVERAGE FOR PERIOD.		TOTAL FOR PERIOD.	ANNUAL AVERAGE FOR PERIOD.		TOTAL FOR PERIOD.	BY WEIGHT.		BY VALUE.		
	Ounces, Fine.	Value.		Ounces, Fine.	Coining Value.		Gold.	Silver.			
			Ounces, Fine.			Value.			Ounces Fine.	Coining Value.	Gold.	Silver.
1493-1520.....	186,470	\$3,855,000	5,321,160	\$107,931,000	1,511,050	42,309,400	\$54,703,000	11	89	66.4	33.6
1521-1544.....	230,194	4,759,000	5,524,653	114,205,000	2,899,930	69,598,320	89,986,000	7.4	92.6	55.9	44.1
1545-1560.....	273,516	5,656,000	4,377,544	90,492,000	10,017,940	160,287,040	207,240,000	2.7	97.3	30.4	69.6
1561-1580.....	219,906	4,546,000	4,398,120	90,917,000	9,628,925	192,578,500	248,990,000	2.2	97.8	26.7	73.3
1581-1600.....	237,267	4,905,000	4,745,340	98,095,000	13,467,645	269,352,700	348,254,000	1.7	98.3	22	78
1601-1620.....	273,918	5,662,000	5,478,360	113,248,000	13,596,235	271,924,700	351,579,000	2	98	24.4	75.6
1621-1640.....	261,845	5,516,000	5,336,900	110,324,000	12,654,240	253,084,800	327,221,000	2.1	97.9	25.2	74.8
1641-1660.....	286,955	5,828,000	5,639,110	116,571,000	11,776,545	285,530,900	304,325,000	2.3	97.7	27.7	72.3
1661-1680.....	297,709	6,154,000	5,954,180	123,084,000	10,834,550	216,691,000	280,166,000	2.7	97.3	30.5	69.5
1681-1700.....	346,095	7,154,000	6,921,895	143,038,000	10,992,085	219,841,700	284,240,000	3.1	96.9	33.5	66.5
1701-1720.....	412,163	8,520,000	8,243,260	170,403,000	11,432,540	228,650,800	295,329,000	3.5	96.5	36.6	63.4
1721-1740.....	613,422	12,681,000	12,268,440	253,611,000	13,863,080	277,261,600	358,480,000	4.2	95.8	41.4	58.6
1741-1760.....	791,211	16,356,000	15,824,230	327,116,000	17,140,612	342,812,225	443,232,000	4.4	95.6	42.5	57.5
1761-1780.....	665,666	13,761,000	13,313,315	275,211,000	20,985,591	419,711,820	542,658,000	3.1	96.9	33.7	66.3
1781-1800.....	571,948	11,823,000	11,438,970	236,464,000	28,251,779	565,235,580	730,810,000	2	98	24.4	75.6
1801-1810.....	571,563	11,815,000	7,715,627	118,152,000	28,746,922	287,469,225	371,677,000	1.9	98.1	24.1	75.9
1811-1820.....	367,957	7,606,000	3,679,568	76,093,000	17,385,755	173,857,555	224,786,000	2.1	97.9	25.3	74.7
1821-1830.....	457,044	9,448,000	4,570,444	94,479,000	14,807,004	148,070,040	191,444,000	3	97.3	32	67
1831-1840.....	652,291	13,484,000	6,522,913	134,841,000	19,175,867	191,758,675	247,930,000	3.3	96.7	35.2	64.8
1841-1850.....	1,760,502	36,393,000	17,605,018	363,928,000	25,090,342	250,903,422	324,400,000	6.6	93.4	52.9	47.1
1851-1855.....	6,410,324	132,513,000	32,051,621	662,566,000	28,488,597	82,854,000	184,169,000	18.4	81.6	78.3	21.7
1856-1860.....	6,486,262	134,083,000	32,431,312	670,415,000	29,095,428	37,618,000	188,092,000	18.2	81.8	58.1	21.9
1861-1865.....	5,949,582	122,989,000	29,747,913	614,944,000	35,401,972	45,772,000	228,861,000	14.4	85.6	72.9	27.1
1866-1870.....	6,270,086	123,614,000	31,350,430	648,071,000	43,051,583	215,257,914	278,313,000	12.7	87.3	70	30
1871-1875.....	5,591,014	115,577,000	27,955,068	577,883,000	63,317,014	316,585,069	409,322,000	8.1	91.9	58.5	41.5
1876-1880.....	5,543,110	114,586,000	27,715,550	572,931,000	78,775,602	393,878,009	509,256,000	93.4	53	45	47
1881-1885.....	4,794,755	99,116,000	23,973,773	495,582,000	92,003,944	460,019,732	594,773,000	5	95	45.5	54.5
1886.....	5,135,679	103,163,900	5,135,679	106,193,900	93,297,290	93,297,290	120,626,800	5.2	94.8	46.8	53.2
1887.....	5,116,861	105,774,900	5,116,861	105,774,900	96,123,586	96,123,586	124,281,000	5	95	43.9	56.1
1888.....	5,330,775	110,196,900	5,330,775	110,196,900	108,827,606	108,827,606	140,706,400	4.6	95.4	43.9	56.1
1889.....	5,973,790	123,489,200	5,973,790	123,489,200	120,213,611	120,213,611	155,427,700	4.7	95.3	44.3	55.7
1890.....	5,749,306	118,848,700	5,749,306	118,848,700	126,095,062	126,095,062	163,032,000	4.3	95.7	42.1	57.9
1891.....	6,320,194	130,650,000	6,320,194	130,650,000	137,170,919	137,170,919	177,352,300	4.4	95.6	42.4	57.6
1892.....	7,102,180	146,815,100	7,102,180	146,815,100	153,151,762	153,151,762	198,014,400	4.4	95.6	42.5	57.5
1893.....	157,287,600	157,287,600	7,608,787	157,287,600	166,092,047	166,092,047	214,745,300	4.4	95.6	42.4	57.6
1894.....	8,737,788	180,626,100	8,737,788	180,626,100	167,752,561	167,752,561	216,892,200	4.9	95.1	45.6	54.4
1895.....	9,820,125	203,000,000	9,820,125	203,000,000	174,796,875	174,796,875	226,000,000	5.3	94.7	47.3	52.7
Total.....	.....	.....	424,900,202	\$8,783,467,400	.....	8,011,122,055	\$10,357,811,100	5	95	45.9	54.1

PRODUCT OF GOLD AND SILVER IN THE UNITED STATES FROM 1792 TO 1844, AND ANNUALLY SINCE.

[The estimate for 1792-1873, is by R. W. Raymond, Commissioner, and since by the director of the Mint.]

YEARS.	GOLD.	SILVER (COINING VALUE).	TOTAL.	YEARS.	GOLD.	SILVER (COINING VALUE.)	TOTAL.
April 2, 1792 } July 31, 1834 } July 31, 1834 } Dec. 31, 1844 }	\$14,000,000 7,500,000	Insignificant \$250,000	\$11,000,000 7,750,000	1869..... 1870..... 1871..... 1872..... 1873..... 1874..... 1875..... 1876..... 1877..... 1878..... 1879..... 1880..... 1881..... 1882..... 1883..... 1884..... 1885..... 1886..... 1887..... 1888..... 1889..... 1890..... 1891..... 1892..... 1893..... 1894..... 1895.....	\$49,500,000 50,000,000 43,500,000 36,000,000 36,000,000 33,500,000 33,400,000 39,900,000 46,900,000 51,200,000 38,900,000 35,000,000 34,700,000 32,500,000 30,000,000 30,800,000 31,800,000 35,000,000 33,000,000 33,175,000 32,800,000 32,845,000 33,175,000 33,000,000 35,955,000 39,500,000 46,610,000	\$12,000,000 16,000,000 23,000,000 28,750,000 35,750,000 37,300,000 31,700,000 38,800,000 39,800,000 45,200,000 40,800,000 39,200,000 43,000,000 46,800,000 46,200,000 48,800,000 5,600,000 51,000,000 53,350,000 59,195,000 64,646,000 70,465,000 75,417,000 82,101,000 77,576,000 64,000,000 72,051,000	\$61,500,000 66,000,000 66,500,000 64,750,000 71,750,000 70,800,000 65,100,000 78,700,000 86,700,000 96,400,000 79,700,000 75,200,000 77,700,000 79,300,000 76,200,000 79,600,000 83,400,000 86,000,000 86,350,000 92,370,000 97,446,000 103,310,000 168,592,000 115,101,000 113,531,000 103,500,000 113,661,000
Total				2,059,946,769 1,368,901,000 3,428,847,769			

PRODUCT OF GOLD AND SILVER FROM MINES IN THE UNITED STATES, 1873-1895.

Calendar Year.	Gold.		Silver.		
	Fine Ounces.	Value.	Fine Ounces.	Commercial Value.	Coining Value.
1873	1,741,500	\$36,000,000	27,650,000	\$35,890,000	\$35,750,000
1874	1,620,563	33,500,000	28,849,000	36,869,000	37,300,000
1875	1,615,725	33,400,000	24,518,000	30,549,000	31,700,000
1876	1,930,162	39,900,000	30,009,000	34,690,000	38,800,000
1877	2,268,788	46,900,000	30,783,000	36,970,000	39,800,000
1878	2,476,800	51,200,000	34,930,000	40,270,000	45,200,000
1879	1,881,787	38,900,000	31,550,000	35,430,000	40,800,000
1880	1,741,500	36,000,000	30,320,000	34,720,000	39,200,000
1881	1,678,612	34,700,000	33,260,000	37,850,000	43,000,000
1882	1,572,187	32,500,000	36,200,000	41,120,000	46,800,000
1883	1,451,250	30,000,000	35,730,000	39,660,000	46,200,000
1884	1,489,950	30,800,000	37,800,000	42,070,000	48,800,000
1885	1,538,325	31,800,000	39,910,000	42,500,000	51,600,000
1886	1,693,125	35,000,000	39,440,000	39,230,000	51,000,000
1887	1,596,375	33,000,000	41,200,000	40,410,000	53,350,000
1888	1,604,641	33,175,000	45,780,000	43,020,000	59,195,000
1889	1,587,000	32,800,000	50,000,000	46,750,000	64,646,000
1890	1,583,880	32,845,000	54,500,000	57,225,000	70,465,000
1891	1,604,840	33,175,000	58,330,000	57,630,000	75,417,000
1892	1,506,375	33,000,000	63,500,000	55,563,000	82,101,000
1893	1,733,323	35,955,000	60,000,000	46,800,000	77,576,000
1894	1,910,813	39,500,000	49,500,000	31,422,000	64,000,000
1895	2,254,760	46,610,000	55,727,000	36,445,000	72,051,000
Totals	40,183,481	\$830,660,000	939,176,000	\$943,083,000	\$1,214,751,000

OWNERSHIP OF GOLD AND SILVER IN THE UNITED STATES, JULY 1, 1895.

[Report of Director of the Mint, 1895, p. 36.]

Ownership.	Gold Coin and Bullion.	Silver Coin and Bullion.				Total Gold and Silver Coin and Bullion.
		Silver Dollars.	Subsidiary Silver Coin.	Silver Bullion.	Total Silver.	
United States Treasury.	*\$103,210,555	†\$51,680,235	\$16,604,420	\$125,397,044	\$193,681,699	\$301,892,254
National banks (July 11, 1895).....	‡171,217,437	\$37,375,516	5,834,241	.....	43,209,757	214,427,194
Private banks and individuals	356,801,833	334,233,468	54,515,773	214,252	388,963,493	745,765,326
Total	636,229,825	423,289,219	76,951,434	125,611,296	625,854,949	1,262,084,774

* Gold coin and bullion in Treasury exclusive of \$48,381,309 gold certificates outstanding.

† Silver dollars in Treasury exclusive of \$319,623,941 silver certificates outstanding.

‡ Includes \$53,740,600 Treasury and Clearing-house gold certificates.

§ Includes \$30,127,457 silver certificates held by National Banks.

IMPORTS AND EXPORTS OF GOLD AND SILVER COIN AND BULLION INTO AND FROM THE UNITED STATES.

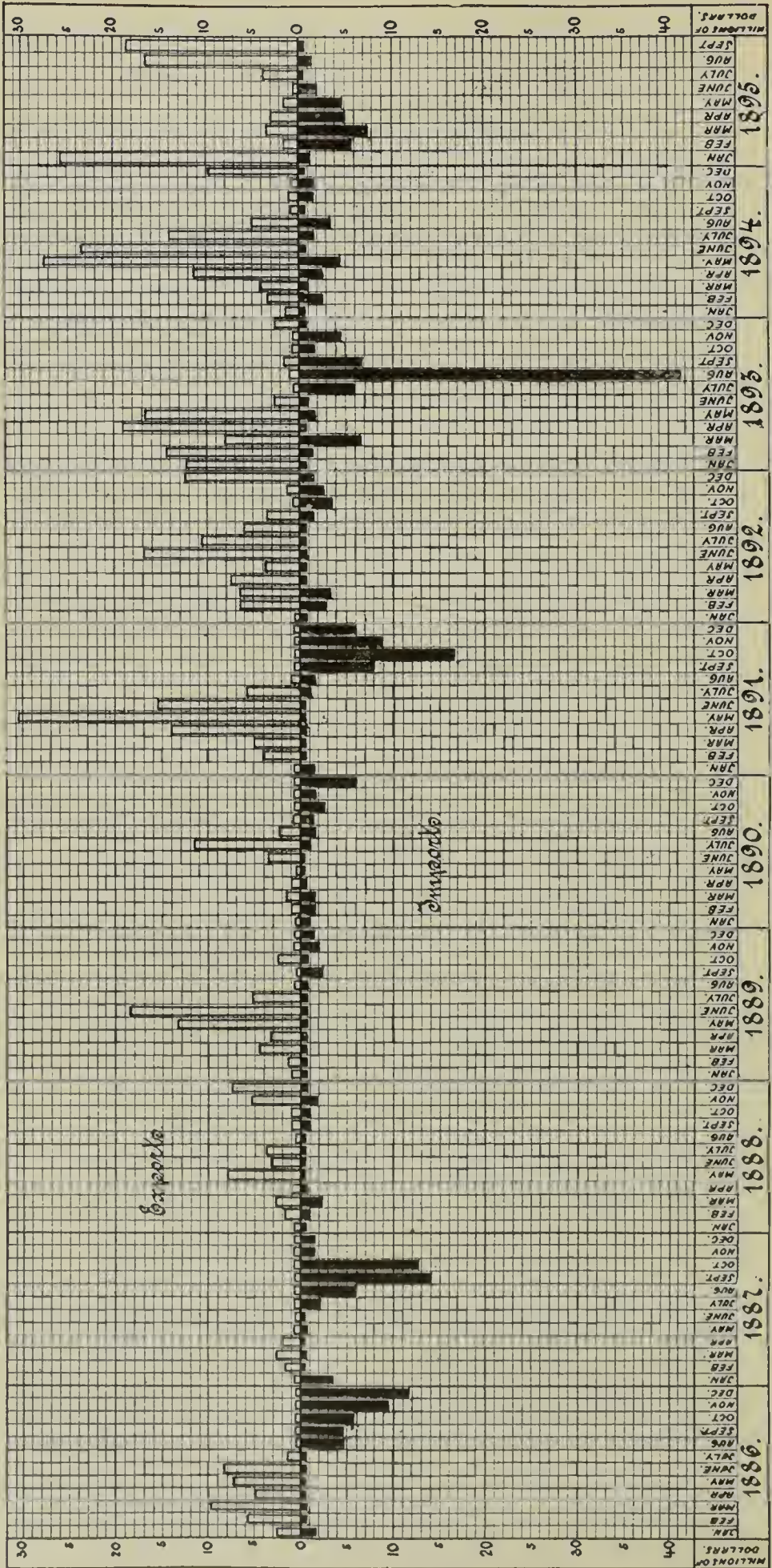
[Commerce and Navigation, 1895, p. xxi.]

Year Ending June 30.	GOLD COIN AND BULLION.				SILVER COIN AND BULLION.			
	Imports.	Exports.	Excess of Imports over Exports.	Excess of Exports over Imports.	Imports.	Exports.	Excess of Imports over Exports.	Excess of Exports over Imports.
1861	\$11,176,769	\$100,661,634	.....	\$89,484,865	\$1,938,843	\$4,734,907	.....	\$2,796,064
1865	6,498,238	58,381,033	.....	51,882,805	3,311,844	9,262,193	.....	5,950,349
1866	8,196,261	71,197,309	.....	63,001,048	2,503,831	14,846,762	.....	12,342,931
1867	17,024,866	39,026,627	.....	22,001,761	5,045,609	21,841,745	.....	16,796,136
1868	8,737,443	72,396,344	.....	63,658,901	5,450,925	21,887,758	.....	15,936,833
1869	14,132,568	36,003,498	.....	21,870,930	5,675,308	21,134,832	.....	15,459,574
1870	12,056,950	33,635,962	.....	21,579,012	14,362,229	24,519,704	.....	10,157,475
1871	6,883,561	66,686,208	.....	59,802,647	14,386,463	31,755,780	.....	17,369,317
1872	8,717,458	49,548,760	.....	40,831,302	5,026,231	30,328,774	.....	25,302,543
1873	8,682,447	44,856,715	.....	36,174,268	12,798,490	39,751,859	.....	26,953,369
1874	19,503,137	34,042,420	.....	14,539,283	8,951,769	32,587,985	.....	23,636,216
1875	13,696,793	66,980,977	.....	53,284,184	7,203,924	25,151,165	.....	17,947,241
1876	7,992,709	31,177,050	.....	23,184,341	7,943,972	25,329,252	.....	17,385,280
1877	26,246,234	26,590,374	.....	344,140	11,528,180	29,571,863	.....	15,043,683
1878	13,330,215	9,204,455	\$4,125,760	.....	16,491,099	24,535,670	.....	8,044,571
1879	5,624,948	4,587,614	1,037,334	.....	14,671,052	20,409,827	.....	5,738,775
1880	80,758,396	3,639,025	77,119,371	.....	12,275,914	13,503,894	.....	1,227,980
1881	10,031,259	2,585,132	97,466,177	.....	10,544,238	16,841,715	.....	6,297,477
1882	34,377,054	32,587,380	1,789,774	.....	8,095,335	16,829,599	.....	8,734,263
1883	17,734,149	11,600,888	6,133,261	.....	10,755,242	20,219,445	.....	9,464,203
1884	22,831,317	41,081,957	.....	18,250,640	14,594,945	26,051,426	.....	11,456,481
1885	26,691,696	8,477,892	18,213,804	.....	16,550,627	33,753,633	.....	17,203,006
1886	20,743,349	42,952,191	.....	22,208,842	17,850,307	29,511,219	.....	11,660,912
1887	42,910,601	9,701,187	33,209,414	.....	17,260,191	26,296,504	.....	9,036,313
1888	43,034,317	18,376,234	25,558,083	.....	15,403,669	28,037,949	.....	12,634,280
1889	10,284,853	59,952,285	.....	49,667,427	18,678,215	36,689,248	.....	18,011,033
1890	12,943,342	17,274,491	.....	4,331,149	21,032,981	34,873,929	.....	13,840,945
1891	18,232,567	86,362,654	.....	68,130,087	18,026,880	22,590,983	.....	4,564,108
1892	49,699,454	50,195,327	.....	495,873	19,955,086	32,810,559	.....	12,855,473
1893	21,174,331	108,680,841	.....	87,505,463	23,193,252	40,737,319	.....	17,544,067
1894	72,449,119	76,978,061	.....	4,528,942	13,286,552	50,451,265	.....	37,164,713
1895	35,146,734	66,131,183	.....	30,984,449	9,552,526	47,227,317	.....	37,674,797
1896	31,720,487	112,309,136	.....	80,588,649	13,106,538	59,862,896	.....	46,656,348

Prior to 1864 the figures cannot be given for domestic exports or imports of gold and silver separately. The figures of total imports and exports for the years 1845-1863 will be found in the Report on Commerce and Navigation, 1865, p. xxi., or Statistical Abstract for 1894, pp. 51, 52. The Annual Report on Commerce and Navigation gives full details as to countries to and from which gold and silver are exported and imported.

References, Gold and Silver.—For consumption of gold and silver in the arts, by countries, see "History of Bimetallism," by J. L. Laughlin (N. Y., 1891), p. 256.—For Exports and Imports, see Report of Director of the Mint, 1894, pp. 141-153, 298, 299, by countries 150-153, 300-318.—The most generally recognized authority on production of gold and silver is Dr. Adolph Soetbeer. His "Materials," translated into English, form a part of a United States Government Report on "Bimetallism in Europe," (1887). His latest work, "Literaturnachweis über Geld und Munwesen," contains the results of his researches to 1892.

Exports and Imports of Gold. (1886 to 1895)



PRICES AND WAGES.

RELATIVE PRICES AND WAGES IN THE UNITED STATES AND ELSEWHERE.

[Compiled from "Has Gold Appreciated," by C. C. Jackson.]

	PRICES.				WAGES IN U. S.		Purchasing Power of Wages.	Cost of Gold measured by Labor.
	Soetbeer, London and Hamburg.	London Economist.	Sauerbeck, English Prices.	Aldrich Report—United States	Currency.	Gold.		
1840.....	.....	.....	.....	97.7	82.5	82.5	.837	1.22
1841.....	.....	.....	.....	98.1	79.9	79.9	.810	1.251
1842.....	.....	.....	.....	90.1	84.1	84.1	.902	1.189
1843.....	.....	.....	.....	84.3	83.0	83.0	.930	1.205
1844.....	.....	.....	.....	85.0	83.2	83.2	.926	1.202
1845.....	.....	100	.....	88.2	85.7	85.7	.930	1.166
1846.....	.....		89	95.2	89.1	89.1	.921	1.122
1847.....	100.00		95	95.2	91.3	91.3	.944	1.095
1848.....			78	88.3	91.6	91.6	.995	1.091
1849.....			74	83.5	90.5	90.5	1.020	1.105
1850.....			77	89.2	90.9	90.9	.980	1.100
1851.....	100.21	104	75	98.6	91.1	91.1	.920	1.097
1852.....	101.69	93	78	97.9	91.8	91.8	.932	1.089
1853.....	113.69	108	95	105.0	93.2	93.3	.901	1.073
1854.....	121.25	122	102	105.0	95.8	95.8	.926	1.043
1855.....	124.23	118	101	109.2	97.5	97.5	.917	1.025
1856.....	123.27	123	101	112.3	98.0	98.0	.903	1.020
1857.....	130.11	132	105	114.0	99.2	99.2	.905	1.008
1858.....	113.52	119	91	113.2	97.9	97.9	.900	1.021
1859.....	116.34	115	94	102.9	99.7	99.7	.977	1.003
1860.....	120.98	121	99	100.0	100.0	100.0	1.000	1.000
1861.....	118.10	124	98	94.1	100.7	100.7	1.050	.993
1862.....	122.65	131	101	101.6	103.7	101.2	1.009	.983
1863.....	125.49	159	103	91.1	118.8	81.9	.973	1.221
1864.....	129.28	172	105	110.7	134.0	66.6	.900	1.500
1865.....	122.63	163	101	107.4	148.6	94.5	.780	1.057
1866.....	125.85	162	102	134.0	155.6	111.1	.971	.900
1867.....	124.44	137	100	123.2	164.0	121.8	1.129	.821
1868.....	121.99	122	99	125.6	164.9	119.1	1.094	.839
1869.....	123.88	121	98	112.3	167.4	123.5	1.232	.809
1870.....	122.87	122	96	119.0	167.1	136.9	1.281	.730
1871.....	127.03	118	100	122.9	166.4	150.3	1.333	.664
1872.....	135.62	129	109	121.4	167.1	153.2	1.367	.652
1873.....	138.28	134	111	114.5	166.1	147.4	1.385	.678
1874.....	136.20	131	102	116.6	162.5	145.9	1.348	.685
1875.....	129.85	126	96	114.6	158.0	140.4	1.318	.712
1876.....	128.33	123	95	108.7	151.4	134.2	1.310	.745
1877.....	127.70	123	94	107.0	143.8	135.4	1.314	.738
1878.....	120.60	115	87	103.2	140.9	139.0	1.366	.719
1879.....	117.10	101	83	95.0	139.4	139.4	1.443	.717
1880.....	121.89	115	88	104.9	143.0	143.0	1.383	.699
1881.....	121.07	108	85	108.4	150.7	150.7	1.424	.663
1882.....	122.14	111	84	109.1	152.9	152.9	1.438	.654
1883.....	122.24	106	82	106.6	159.2	159.2	1.523	.628
1884.....	114.25	101	76	102.6	155.1	155.1	1.523	.644
1885.....	108.72	95	72	93.3	155.9	155.9	1.634	.642
1886.....	103.99	92	69	93.4	155.8	155.8	1.631	.642
1887.....	102.02	94	68	94.5	156.6	156.6	1.627	.638
1888.....	102.04	101	70	96.2	157.9	157.9	1.621	.633
1889.....	106.13	99	72	98.5	162.9	162.9	1.645	.614
1890.....	108.13	102	72	93.7	168.2	168.2	1.757	.594
1891.....	109.19	102	72	94.4	168.6	168.6	1.752	.593
1892.....	.....	97	68	92.8	.....	.....	.....	.....
1893.....	.....	96	.....	91.7	.....	.....	.....	.....
1894.....	.....	95	.....	.....	.....	.....	.....	.....

NOTE.—The United States price table is made from the average prices in the United States of 90 articles for each year between 1840 and 1860, and of 23 articles for each year between 1860 and 1893. In this table, differently from the other two price tables, the price of each article is given as much relative importance in computing the average as that article has in the consumption of the average citizen of the United States.

The "London Economist" table is made from the prices of 22 articles in London. Four of the 22 are products of cotton.

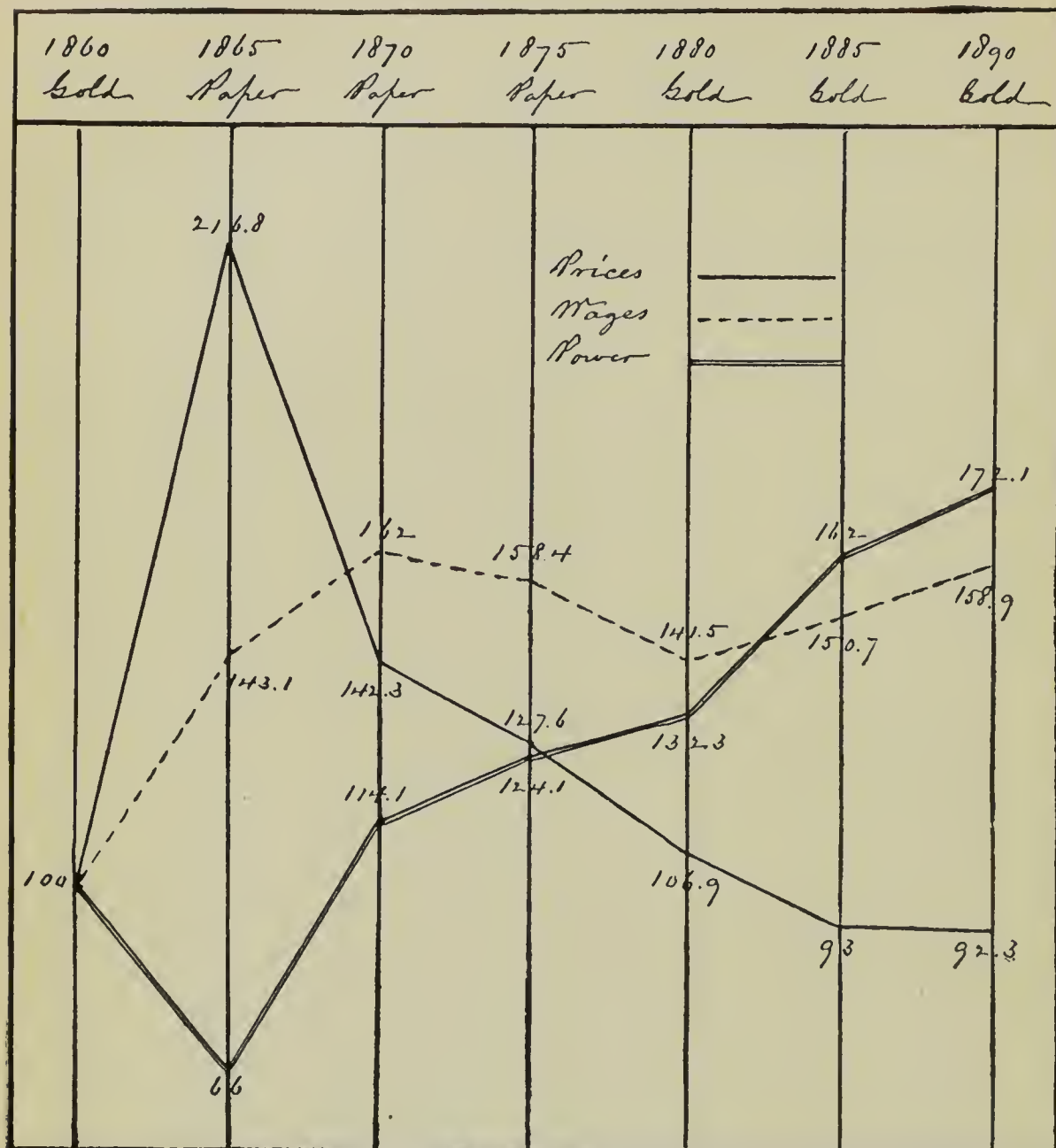
Prof. Adolph Soetbeer's table is made from the prices of 114 articles in London and Hamburg.

Mr. Sauerbeck's table is made from the prices of the 45 most important articles of English foreign trade. 100 = average of 1867-1877.

The figures for wages in the United States are from the Aldrich report, and are averaged by weighting the figures for different industries according to their importance.

The results given in the last two columns—"Purchasing Power of Wages" and "Cost of Gold Measured by Labor"—are also derived from the figures of the Aldrich Report.

Diagram showing the Course of Prices, Wages, and the Purchasing Power of Wages, 1860 to 1890.



References—Prices and Wages.

The most complete compilation of wages and prices in this, or any other country, is that contained in the Report of the Senate Finance Committee, known as the Aldrich Report on Wholesale Prices, Wages and Transportation, March 3, 1893 (Washington, 1893, 4 vols.).

This investigation covers the course of wages and prices in the United States from 1840-1892. The Statistician of the Committee has reduced prices and wages to percentages, using the prices and wages of 1860 as 100. In addition, simple and weighted averages are given, so that the two methods show in an undisputed way the relative variations from year to year.

"A Statistical Study," an article by Mr. Carroll D. Wright, giving a summary review of wages investigation in the United States, "Forum," vol. 15, p. 221. —Prices in New York and Chicago 1862-1891, "Journal of Political Economy," December, 1892. —Prices of two hundred commodities in the United States, 1860-1891, compiled by Dr. Sarah McLean Hardy, "Journal of Political Economy," March, 1895. —"Prices and Wages in India," published by Statistical Department of Indian Department of Finance and Commerce, Calcutta, 1894, pp. 162-170, 299-295. See also Herschell Report on the coinage of silver in India (Washington, 1893), pp. 440-447, 633; "Quality of Money and Wages," Frank L. McVey (*Sound Currency*, No. 19), pp. 12-13. —Sauerbeck's Table of Prices of forty-five commodities in England, reprinted by the Bureau of Statistics, Treasury Department, Washington, D. C., 1895. Contains "London Economist" table of prices, pp. 16-19, and a chart showing price variations in food, materials and silver. To be found also in Report of Senate Finance Committee, vol. 1, pp. 229-255; "Royal Statistical Society's Journal," 1886, pp. 592, 648, and 1893, pp. 220 and 247; brought down to date in "Journal of Political Economy," March, 1904, p. 231. —Soetbeer's Table of Prices of 114 commodities at Hamburg, Report of Senate Finance Committee, vol. 1, pp. 282-295. Also found in "Bimetallism in Europe," Report by Edward Atkinson, 1887. —Table of Relative Prices and Wages, accompanied by charts of French, English and United States Prices, in "A Stable Monetary Standard," by Henry Farquhar (*Sound Currency*, No. 15), pp. 8-9. Prices in England in 1262-1702, "Journal of Political Economy," December, 1893, p. 92. —"Gold and Prices since 1873," by J. Laurence Laughlin ("Quarterly Journal of Economics," April, 1877, reprinted separately 1894), contains all the more noted price tables to that date, with full discussion of the merits of each.

PUBLIC DEBT.

STATEMENT OF OUTSTANDING PRINCIPAL OF THE PUBLIC DEBT OF THE UNITED STATES ON THE 1ST OF JANUARY OF EACH YEAR FROM 1791 TO 1843, INCLUSIVE, AND ON THE 1ST OF JULY OF EACH YEAR FROM 1843 TO 1895, INCLUSIVE.

[Report of the Secretary of the Treasury, 1894, p. xcvi.]

Year.	Amount.	Year.	Amount.	Total Debt, less Cash in Treasury.
Jan. 1, 1791.....	\$75,463,476.52	July 1, 1843.....	\$32,742,922.00	.....
1792.....	77,227,924.66	1844.....	23,461,652.50	.....
1793.....	80,358,634.04	1845.....	15,925,303.01	.....
1794.....	78,427,404.77	1846.....	15,550,202.97	.....
1795.....	80,747,587.39	1847.....	38,826,534.77	.....
1796.....	83,762,172.07	1848.....	47,044,862.23	.....
1797.....	82,064,479.33	1849.....	63,061,858.69	.....
1798.....	79,228,529.12	1850.....	63,452,773.55	.....
1799.....	78,408,669.77	1851.....	68,304,796.02	.....
1800.....	82,976,294.35	1852.....	66,199,341.71	.....
1801.....	83,038,050.80	1853.....	59,803,117.70	.....
1802.....	80,712,632.25	1854.....	42,242,222.42	.....
1803.....	77,054,686.40	1855.....	35,586,956.56	.....
1804.....	86,427,120.88	1856.....	31,932,537.90	\$10,965,953.01
1805.....	82,312,150.50	1857.....	28,699,831.85	9,998,621.76
1806.....	75,723,270.66	1858.....	44,911,881.03	37,900,191.72
1807.....	69,218,398.64	1859.....	58,496,837.88	53,405,234.19
1808.....	65,196,317.97	1860.....	64,842,287.88	59,964,402.01
1809.....	57,023,192.09	1861.....	90,580,873.72	87,718,660.80
1810.....	53,173,217.52	1862.....	524,176,412.13	505,312,752.17
1811.....	48,005,587.76	1863.....	1,119,772,138.63	1,111,350,737.41
1812.....	45,209,737.90	1864.....	1,815,784,370.57	1,709,452,277.04
1813.....	55,962,827.57	1865.....	2,680,647,869.74	2,674,815,856.76
1814.....	81,487,846.24	1866.....	2,773,236,173.69	2,636,036,163.84
1815.....	99,833,660.15	1867.....	2,678,126,103.87	2,508,151,211.69
1816.....	127,334,933.74	1868.....	2,611,687,851.19	2,480,853,413.23
1817.....	123,491,965.16	1869.....	2,588,452,213.94	2,432,771,873.09
1818.....	103,466,633.83	1870.....	2,480,672,427.81	2,331,169,956.21
1819.....	95,529,648.28	1871.....	2,353,211,332.32	2,246,994,068.67
1820.....	91,015,566.15	1872.....	2,253,251,328.78	2,149,780,530.35
1821.....	89,987,427.66	1873.....	*2,234,482,993.20	2,105,462,060.75
1822.....	93,546,676.98	1874.....	*2,251,690,468.43	2,104,149,153.69
1823.....	90,875,877.28	1875.....	*2,232,284,531.95	2,090,041,170.13
1824.....	90,269,777.77	1876.....	*2,180,395,067.15	2,060,925,340.45
1825.....	83,788,432.71	1877.....	*2,205,301,392.10	2,019,275,431.37
1826.....	81,054,059.99	1878.....	*2,256,205,892.53	1,999,382,280.45
1827.....	73,987,357.20	1879.....	*2,349,567,482.04	1,996,414,905.03
1828.....	67,475,043.87	1880.....	*2,130,415,370.63	1,919,326,747.75
1829.....	58,421,413.67	1881.....	*2,069,013,569.58	1,819,650,154.23
1830.....	48,565,406.50	1882.....	*1,918,312,994.03	1,675,023,474.25
1831.....	39,123,191.68	1883.....	*1,884,171,728.07	1,538,781,825.15
1832.....	24,322,235.18	1884.....	*1,830,528,923.57	1,438,542,995.39
1833.....	7,001,698.83	1885.....	+1,876,424,275.14	1,375,352,443.91
1834.....	4,760,082.08	1886.....	+1,756,445,205.78	1,282,145,840.44
1835.....	33,733.05	1887.....	+1,688,229,591.63	1,175,168,675.42
1836.....	37,513.05	1888.....	+1,705,992,320.58	1,063,004,894.73
1837.....	336,957.83	1889.....	+1,640,673,340.23	975,939,750.22
1838.....	3,308,124.07	1890.....	+1,585,821,048.73	890,784,370.53
1839.....	10,434,221.14	1891.....	+1,560,472,784.61	851,912,751.78
1840.....	3,573,343.82	1892.....	+1,628,840,151.63	841,526,463.60
1841.....	5,250,875.54	1893.....	+1,598,111,156.13	838,969,475.75
1842.....	13,594,480.73	1894.....	+1,668,757,127.68	899,313,380.55
1843.....	20,201,226.27	1895.....	+1,701,033,861.25	901,672,966.74
		1896.....	1,787,990,491.40	955,297,253.70

*In the amount here stated as the outstanding principal of the public debt are included the certificates of deposit outstanding on the 30th of June, issued under act of June 8, 1872, for which a like amount of United States notes was on special deposit in the Treasury for their redemption, and added to the cash balance in the Treasury. These certificates, as a matter of accounts, are treated as a part of the public debt, but being offset by notes held on deposit for their redemption, should properly be deducted from the principal of the public debt in making comparison with former years.

†Exclusive of gold, silver, currency certificates, and Treasury notes of 1890, held in the Treasurer's cash, and including \$64,623,512 bonds issued to the several Pacific railroads.

References, Debts.—For statement of the debt of the several States of the Union, see *Financial Review*, 1894, p. 42; also 11th census on "Wealth, Debt and Taxation."

For full data as to the several loans of the United States, see the Annual Report of the Treasurer; also Bayley's "National Loans of the United States," 1776-1880.

STATEMENT OF THE **Public Debt**, JULY 1, 1896.**Interest-Bearing Debt.**

Title of Loan.	Rate.	When Redeemable.	Amount Issued.	Outstanding July 1, 1896.
Funded Loan of 1891.....	{ 4½ per cent.... { Cont'd @ 2%....	{ Option U. S. { July 1, 1907.....	(4½s) \$250,000,000 00	\$25,361,500 00
Funded Loan of 1907.....	4 per cent.	July 1, 1907.....	740,898,200 00	559,636,850 00
Refunding Certificates.	4 per cent.	February 1, 1904...	40,012,750 00	47,140 00
Loan of 1904.....	5 per cent.	February 1, 1904...	100,000,000 00	100,000,000 00
Loan of 1925.....	4 per cent.	February 1, 1925...	162,315,400 00	162,315,400 00
Aggregate of interest-bearing debt, exclusive of U. S. { bonds issued to Pacific Railroads, as stated below.. }			\$1,293,226,350 00	\$847,363,890 00

Debt on which Interest has Ceased since Maturity.

Funded loan of 1891, matured September 2, 1891	\$389,150 00
Old debt matured at various dates prior to January 1, 1861, and other items of debt { matured at various dates subsequent to January 1, 1861..... }	1,247,740 26
Aggregate of debt on which interest has ceased since maturity	\$1,636,890 26

Debt bearing no Interest.

United States Notes.....	February 25, 1862; July 11, 1862; March 3, 1863.	\$346,681,016 00
Old Demand Notes.....	July 17, 1861; February 12, 1862	54,347 50
National Bank Notes : Redemption Account...	July 14, 1890.....	20,102,022 50
Fractional Currency.....	July 17, 1862; Mar. 3, 1863; June 30, 1864—less \$8,375,934 estimated as lost or destroyed, Act of June 21, 1879.....	6,891,184 14
Aggregate of debt bearing no interest.....		\$373,728,570 14

Certificates and Notes Issued on Deposits of Coin and Legal-Tender Notes and Purchases of Silver Bullion.

Classification.	In the Treasury.	In Circulation.	Amount Issued.
Gold Certificates.....	March 3, 1863; July 12, 1882....	\$497,430 00	\$42,320,759 00
Silver Certificates.....	Feb. 28, 1878; Aug. 4, 1886; Mar. 3, 1887.....	11,359,935 00	342,619,504 00
Certificates of Deposit..	June 8, 1872.....	150,000 00	31,990,000 00
Treasury Notes of 1890.	July 14, 1890.....	34,465,919 00	129,683,280 00
Aggregate of Certificates and Treasury { Notes, offset by cash in the Treasury .. }	\$46,473,344 00	\$500,637,629 00	\$547,110,973 00

Recapitulation.

Classification.	June 30, 1896.
Interest-bearing debt.....	\$847,363,890 00
Debt on which interest has ceased since maturity.....	1,636,890 26
Debt bearing no interest.....	373,728,570 14
Aggregate of interest and non-interest bearing debt.....	1,857,992,350 40
Certificates and Treasury Notes offset by an equal amount of cash in the Treasury.....	547,110,973 00
Aggregate of debt, including Certificates and Treasury Notes.....	1,769,840,323 40
Less cash in the Treasury.....	814,543,096 70
Net debt of United States.....	\$955,297,253 70

Pacific Railroad Bonds.

Name of Railway.	Principal Out- standing.	Interest Accrued and not yet paid.	Balance of Interest paid by the United States.
Central Pacific.....	\$25,885,120 00	\$657,693 60	\$34,406,864 97
Kansas Pacific.....	6,303,000 00	126,690 00	6,383,557 95
Union Pacific.....	27,236,512 00	687,495 36	29,559 490 88
Central Branch, U. P	1,600,000 00	28,800 00	2,106,923 38
Western Pacific	1,970,560 00	59,116 80	3,136,801 94
Sionx City and Pacific	1,628,320 00	48,849 60	2,438,878 00
Totals.....	\$61,623,512 00	\$1,608,645 36	\$78,032,517 12

SILVER.

AMOUNT, COST, AVERAGE PRICE AND BULLION VALUE OF THE SILVER DOLLAR OF SILVER PURCHASED UNDER ACT OF FEBRUARY 28, 1878.

[Annual Report Director of the Mint, 1894, p. 17.]

FISCAL YEAR.	FINE OUNCES.	COST.	AVERAGE PRICE PER FINE OUNCE.	BULLION VALUE OF A SILVER DOLLAR.
1878.....	10,809,350.58	\$13,023,268 96	\$1.2048	\$0.9818
1879.....	19,248,086.09	21,593,642 99	1.1213	.8676
1880.....	22,057,862.64	25,235,081 53	1.1440	.8848
1881.....	19,709,227.11	22,327,874 75	1.1328	.8761
1882.....	21,190,200.87	24,054,480 47	1.1351	.8779
1883.....	22,889,241.24	25, 77,327 58	1.1174	.8642
1884.....	21,922,951.52	24,378,383 91	1.1120	.8600
1885.....	21,791,171.61	23,747,460 25	1.0897	.8128
1886.....	22,690,652.94	23,418,960 01	1.0834	.7992
1887.....	26,490,008.04	25,988,620 46	.9810	.7587
1888.....	25,386,125.32	24,237,553 20	.9547	.7384
1889.....	23,468,861.03	24,717,853 81	.9338	.7222
1890.....	27,820,900.05	26,899,326 33	.9668	.7477
1891.....	2,797,379.52	3,049,426.46	1.0901	.8431
	291,272,018.56	\$308,279,260 71	\$1.0583	\$0.8185

Amount, Cost, Average Price and Bullion Value of the Silver Dollar of Silver Purchased under Act of July 14, 1890.

1891.....	48,303,113 05	\$50,577,498 44	\$1.0451	\$0.8083
1892.....	54,355,748.10	51,106,607 96	.9402	.7271
1893.....	54,008,162.60	45,531,374 53	.8430	.6520
1894.....	11,917,658.78	8,715,521 32	.7313	.5656
	168,674,682.53	\$155,931,002 25	\$0.9244	\$0.7150
Grand total.....	459,946,701.09	\$464,210,262 96	\$1.0096	\$0.7806

COMMERCIAL RATIO OF SILVER TO GOLD EACH YEAR SINCE 1687.

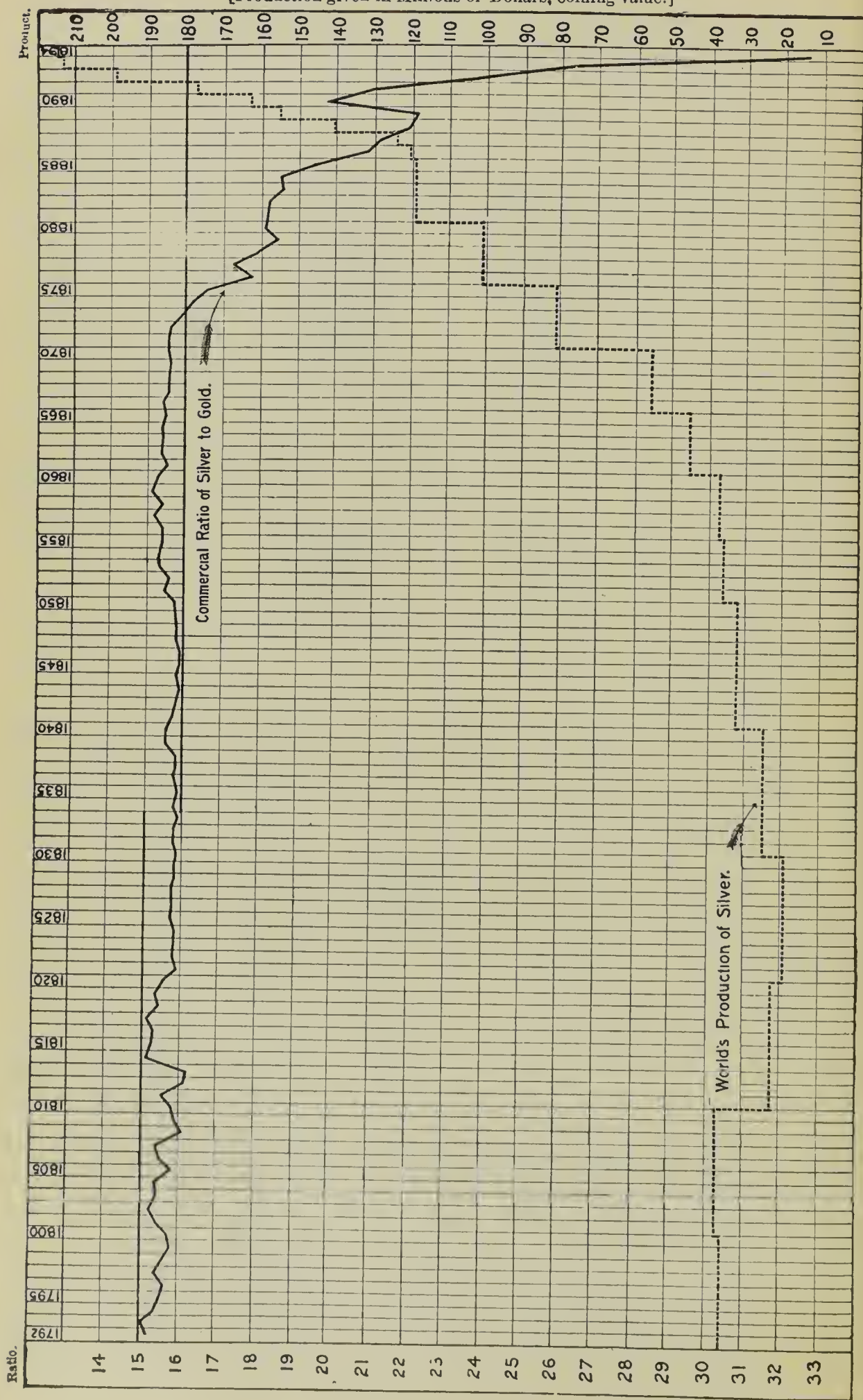
(From 1687 to 1832 the ratios are taken from Dr. A. Soetbeer; from 1833 to 1878 from Pixley and Abell's tables; and for subsequent years from daily cablegrams from London to the Bureau of the Mint.)

Year.	Ratio.	Year.	Ratio.	Year.	Ratio.	Year.	Ratio.	Year.	Ratio.	Year.	Ratio.
1687.....	14.94	1722...	15.17	1757....	14.87	1792....	15.17	1827....	15.74	1862....	15.35
1688.....	14.94	1723....	15.20	1758....	14.85	1793....	15.00	1828....	15.78	1863....	15.37
1689....	15.02	1724....	15.11	1759....	14.15	1794....	15.37	1829....	15.78	1864....	15.37
1690....	15.02	1725....	15.11	1760....	14.14	1795....	15.55	1830....	15.82	1865....	15.44
1691....	14.98	1726....	15.15	1761....	14.54	1796....	15.65	1831....	15.72	1866....	15.43
1692....	14.92	1727....	15.24	1762....	15.27	1797....	15.41	1832....	15.73	1867....	15.57
1693....	14.83	1728....	15.11	1763....	14.99	1798....	15.59	1833....	15.93	1868....	15.59
1694....	14.87	1729....	14.92	1764....	14.70	1799....	15.74	1834....	15.73	1869....	15.60
1695....	15.02	1730....	14.81	1765....	14.83	1800....	15.68	1835....	15.80	1870....	15.57
1696....	15.00	1731....	14.94	1766....	14.80	1801....	15.46	1836....	15.72	1871....	15.57
1697....	15.20	1732....	15.09	1767....	14.85	1802....	15.26	1837....	15.83	1872....	15.63
1698....	15.07	1733....	15.18	1768....	14.80	1803....	15.41	1838....	15.85	1873....	15.92
1699....	14.94	1734....	15.39	1769....	14.72	1804....	15.41	1839....	15.62	1874....	16.17
1700....	14.81	1735....	15.41	1770....	14.62	1805....	17.79	1840....	15.62	1875....	16.59
1701....	15.07	1736....	15.18	1771....	14.66	1806....	15.52	1841....	15.70	1876....	17.88
1702....	15.52	1737....	15.02	1772....	14.52	1807....	15.43	1842....	15.87	1877....	17.22
1703....	15.17	1738....	14.91	1773....	14.62	1808....	16.08	1843....	15.93	1878....	17.94
1704....	15.22	1739....	14.91	1774....	14.62	1809....	15.96	1844....	15.85	1879....	18.40
1705....	15.11	1740....	14.94	1775....	14.72	1810....	15.77	1845....	15.92	1880....	18.05
1706....	15.27	1741....	14.92	1776....	14.55	1811....	15.53	1846....	15.90	1881....	18.16
1707....	15.44	1742....	14.85	1777....	14.54	1812....	16.11	1847....	15.80	1882....	18.19
1708....	15.41	1743....	14.85	1778....	14.68	1813....	16.25	1848....	15.85	1883....	18.64
1709....	15.31	1744....	14.87	1779....	14.80	1814....	15.04	1849....	15.78	1884....	18.57
1710....	15.22	1745....	14.98	1780....	14.72	1815....	15.26	1850....	15.70	1885....	19.41
1711....	15.29	1746....	15.13	1781....	14.78	1816....	15.28	1851....	15.46	1886....	20.78
1712....	15.31	1747....	15.26	1782....	14.42	1817....	15.11	1852....	15.59	1887....	21.13
1713....	15.24	1748....	15.11	1783....	14.48	1818....	15.35	1853....	15.33	1888....	21.99
1714....	15.13	1749....	14.80	1784....	14.70	1819....	15.33	1854....	15.33	1889....	22.10
1715....	15.11	1750....	14.55	1785....	14.92	1820....	15.62	1855....	15.38	1890....	19.76
1716....	15.09	1751....	14.39	1786....	14.96	1821....	15.95	1856....	15.38	1891....	20.92
1717....	15.13	1752....	14.54	1787....	14.92	1822....	15.80	1857....	15.27	1892....	23.72
1718....	15.11	1753....	14.54	1788....	14.65	1823....	15.84	1858....	15.38	1893....	26.49
1719....	15.09	1754....	14.48	1789....	14.75	1824....	15.82	1859....	15.19	1894....	32.56
1720....	15.04	1755....	14.68	1790....	15.04	1825....	15.70	1860....	15.29	1895....	31.60
1721....	15.05	1756....	14.94	1791....	15.05	1826....	15.76	1861....	15.50	1896*....	30.32

* Six months only.

PRODUCTION AND PRICE OF SILVER, 1792-1894.

[Production given in Millions of Dollars, coining value.]



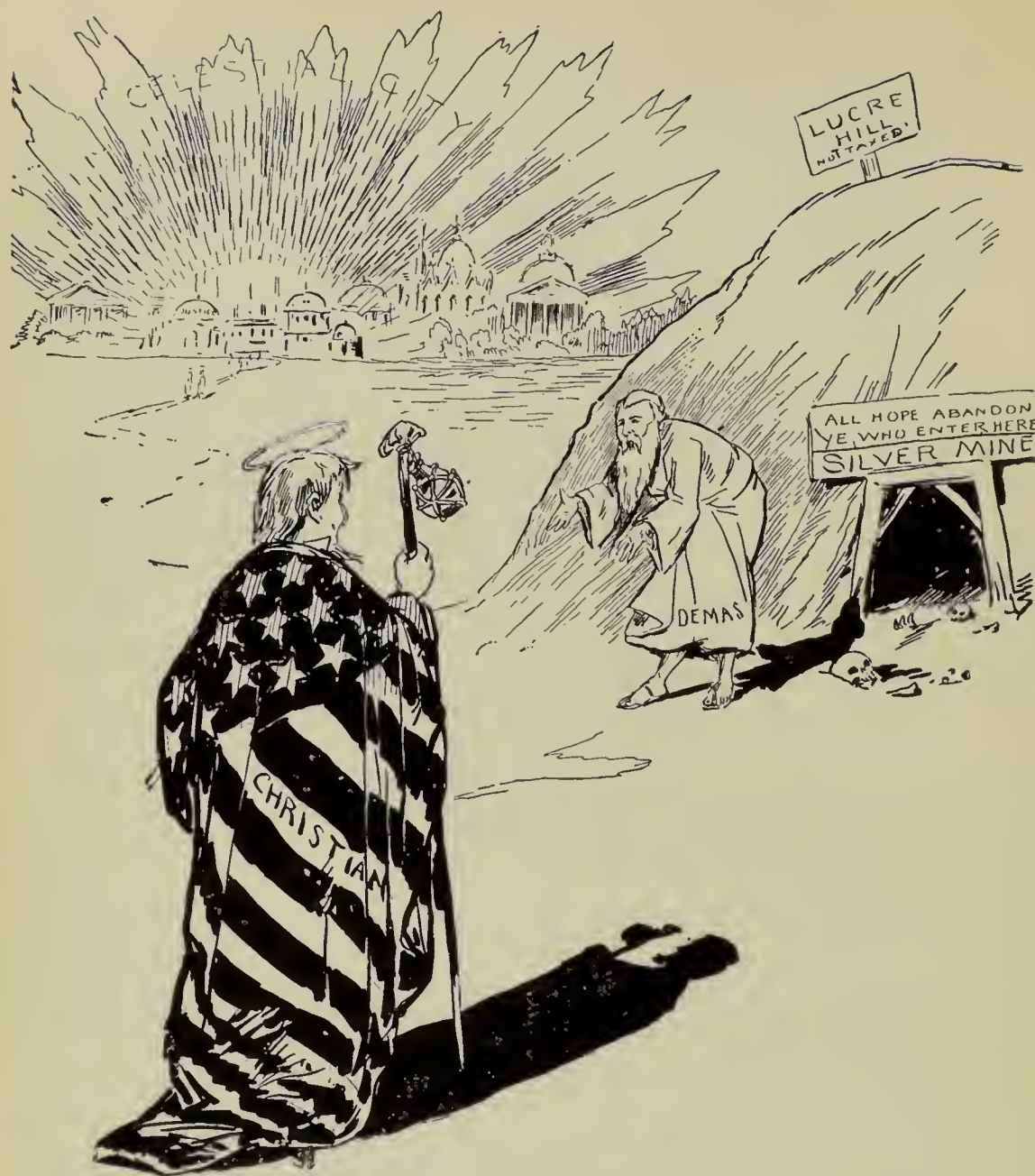
HIGHEST, LOWEST, AND AVERAGE PRICE OF BAR SILVER IN LONDON SINCE 1833 PER OUNCE BRITISH STANDARD (0.925), AND THE EQUIVALENT IN UNITED STATES GOLD COIN OF AN OUNCE 1,000 FINE, TAKEN AT THE AVERAGE PRICE.

CALENDAR YEAR.	Lowest Quotation.	Highest Quotation.	Average Quotation.	Value of a fine ounce at average quotation.	Average bullion value of silver dollar.	CALENDAR YEAR.	Lowest Quotation.	Highest Quotation.	Average Quotation.	Value of a fine ounce at average quotation.	Average bullion value of silver dollar.
	Pence	Pence	Pence	Dols.	Dols.		Pence	Pence	Pence	Dols.	Dols.
1833.....	58 ³ / ₄	59 ⁷ / ₈	59 ³ / ₄	1.297	1.003	1865.....	60 ¹ / ₂	61 ¹ / ₂	61 ¹ / ₂	1.338	1.035
1834.....	59 ¹ / ₂	60 ¹ / ₂	59 ¹ / ₂	1.313	1.015	1866.....	60 ³ / ₄	62 ¹ / ₄	61 ¹ / ₂	1.339	1.036
1835.....	59 ¹ / ₂	60 ¹ / ₂	59 ¹ / ₂	1.308	1.012	1867.....	61 ¹ / ₂	60 ³ / ₄	60 ³ / ₄	1.328	1.027
1836.....	59 ¹ / ₂	60 ¹ / ₂	60 ¹ / ₂	1.315	1.017	1868.....	60 ¹ / ₂	61 ¹ / ₂	60 ¹ / ₂	1.326	1.026
1837.....	59 ¹ / ₂	60 ¹ / ₂	59 ⁹ / ₁₆	1.305	1.010	1869.....	60 ¹ / ₂	61 ¹ / ₂	60 ⁷ / ₈	1.325	1.025
1838.....	59 ¹ / ₂	60 ¹ / ₂	59 ¹ / ₂	1.304	1.019	1870.....	60 ¹ / ₂	60 ³ / ₄	60 ³ / ₄	1.323	1.027
1839.....	60 ¹ / ₂	60 ³ / ₄	60 ³ / ₄	1.323	1.023	1871.....	60 ³ / ₄	61 ¹ / ₂	60 ¹ / ₂	1.326	1.026
1840.....	60 ¹ / ₂	60 ³ / ₄	60 ³ / ₄	1.323	1.023	1872.....	59 ¹ / ₂	61 ¹ / ₂	60 ⁵ / ₈	1.322	1.023
1841.....	59 ³ / ₄	60 ³ / ₄	60 ¹ / ₂	1.316	1.017	1873.....	59 ¹ / ₂	59 ¹ / ₂	59 ¹ / ₂	1.298	1.004
1842.....	59 ¹ / ₂	60 ¹ / ₂	59 ¹ / ₂	1.308	1.008	1874.....	57 ¹ / ₂	59 ¹ / ₂	58 ⁵ / ₈	1.278	.998
1843.....	59 ¹ / ₂	59 ³ / ₄	59 ³ / ₄	1.257	1.003	1875.....	55 ¹ / ₂	57 ¹ / ₂	56 ¹ / ₂	1.246	.964
1844.....	59 ¹ / ₂	59 ³ / ₄	59 ¹ / ₂	1.304	1.009	1876.....	46 ³ / ₄	58 ¹ / ₂	52 ¹ / ₂	1.156	.894
1845.....	58 ¹ / ₂	59 ¹ / ₂	59 ¹ / ₂	1.208	1.013	1877.....	53 ¹ / ₂	53 ¹ / ₂	54 ¹ / ₂	1.201	.929
1846.....	59 ¹ / ₂	60 ¹ / ₂	59 ⁵ / ₈	1.300	1.005	1878.....	49 ¹ / ₂	55 ¹ / ₂	52 ¹ / ₂	1.152	.891
1847.....	59 ¹ / ₂	60 ¹ / ₂	59 ¹ / ₂	1.308	1.012	1879.....	48 ¹ / ₂	53 ¹ / ₂	51 ¹ / ₂	1.123	.868
1848.....	58 ¹ / ₂	60 ¹ / ₂	59 ¹ / ₂	1.201	1.009	1880.....	51 ¹ / ₂	52 ¹ / ₂	52 ¹ / ₂	1.145	.886
1849.....	59 ¹ / ₂	60 ¹ / ₂	59 ¹ / ₂	1.309	1.013	1881.....	50 ¹ / ₂	52 ¹ / ₂	51 ¹ / ₂	1.138	.881
1850.....	59 ¹ / ₂	61 ¹ / ₂	61 ¹ / ₂	1.316	1.017	1882.....	50 ¹ / ₂	51 ¹ / ₂	51 ¹ / ₂	1.136	.878
1851.....	60 ¹ / ₂	61 ¹ / ₂	61 ¹ / ₂	1.337	1.034	1883.....	50 ¹ / ₂	51 ¹ / ₂	50 ¹ / ₂	1.110	.858
1852.....	59 ⁷ / ₈	61 ¹ / ₂	60 ¹ / ₂	1.323	1.026	1884.....	49 ¹ / ₂	51 ¹ / ₂	50 ¹ / ₂	1.113	.861
1853.....	60 ¹ / ₂	61 ¹ / ₂	61 ¹ / ₂	1.348	1.043	1885.....	46 ⁷ / ₈	50 ¹ / ₂	48 ¹ / ₂	1.0645	.823
1854.....	60 ¹ / ₂	61 ¹ / ₂	61 ¹ / ₂	1.318	1.013	1886.....	42 ¹ / ₂	47 ¹ / ₂	45 ¹ / ₂	.9946	.769
1855.....	60 ¹ / ₂	61 ¹ / ₂	61 ⁵ / ₈	1.344	1.039	1887.....	43 ¹ / ₂	47 ¹ / ₂	44 ¹ / ₂	.97823	.758
1856.....	60 ¹ / ₂	62 ¹ / ₂	61 ⁵ / ₈	1.344	1.039	1888.....	41 ¹ / ₂	44 ¹ / ₂	42 ¹ / ₂	.93897	.727
1857.....	61 ¹ / ₂	62 ¹ / ₂	61 ⁵ / ₈	1.353	1.047	1889.....	42 ¹ / ₂	44 ¹ / ₂	41 ¹ / ₂	.93519	.724
1858.....	60 ³ / ₄	61 ¹ / ₂	61 ⁵ / ₈	1.344	1.039	1890.....	43 ¹ / ₂	54 ¹ / ₂	47 ¹ / ₂	1.01633	.810
1859.....	61 ¹ / ₂	62 ¹ / ₂	62 ¹ / ₂	1.360	1.052	1891.....	43 ¹ / ₂	48 ¹ / ₂	45 ¹ / ₂	.98.82	.764
1860.....	61 ¹ / ₂	62 ¹ / ₂	61 ¹ / ₂	1.352	1.046	1892.....	37 ¹ / ₂	43 ¹ / ₂	39 ¹ / ₂	.87106	.674
1861.....	60 ³ / ₄	62 ¹ / ₂	60 ¹ / ₂	1.333	1.031	1893.....	30 ¹ / ₂	38 ¹ / ₂	35 ¹ / ₂	.78031	.604
1862.....	61 ¹ / ₂	62 ¹ / ₂	61 ⁷ / ₈	1.346	1.042	1894.....	27 ¹ / ₂	31 ¹ / ₂	28 ¹ / ₂	.63479	.491
1863.....	61 ¹ / ₂	61 ¹ / ₂	61 ³ / ₄	1.345	1.040	1895.....	27 ³ / ₈	31 ³ / ₈	29 ¹ / ₂	.65406	.505
1864.....	60 ³ / ₄	62 ¹ / ₂	61 ³ / ₄	1.345	1.040	1896 (6 months) .	30 ¹ / ₂	31 ¹ / ₂	31 ¹ / ₂	.68158	.528

HIGHEST, LOWEST AND AVERAGE PRICE OF SILVER BULLION AND VALUE OF A FINE OUNCE EACH MONTH DURING THE FISCAL YEAR 1896.

Months.	Highest.	Lowest.	Average price per ounce, British Standard (0.925).	Equivalent value of a fine ounce with exchange at par, \$4.8665.	Average monthly price at New York of exchange on London.	Equivalent value of a fine ounce, based on average monthly price and average rate of exchange.	Average monthly New York price of fine bar silver.
1895.	Pence.	Pence.	Pence.				
July	30 ⁵ / ₈	30 ³ / ₈	30.439	.66727	4.9000	.67187	.67384
August.....	30 ¹ / ₂	30 ¹ / ₄	30.393	.66625	4.9027	.67122	.67388
September....	30 ⁹ / ₁₆	30 ¹ / ₈	30.489	.66836	4.8955	.67234	.67818
October.....	31 ³ / ₈	30 ⁵ / ₈	30.928	.67798	4.8811	.68010	.68712
November....	31	30 ⁵ / ₈	30.789	.67493	4.8920	.68592	.68546
December.....	30 ¹ / ₁₆	30	30.395	.66631	4.8912	.66963	.67675
1896.							
January.....	30 ⁷ / ₈	30 ¹ / ₂	30.649	.67186	4.8905	.67518	.68173
February.....	31 ⁹ / ₁₆	30 ³ / ₄	30.992	.67939	4.8786	.68104	.68811
March	31 ¹ / ₁₆	31 ¹ / ₈	31.272	.68772	4.8818	.68988	.69519
April.....	31 ³ / ₁₆	30 ¹ / ₂	31.060	.68087	4.8890	.68401	.69062
May	31 ¹ / ₄	30 ⁵ / ₈	31.078	.68126	4.8885	.68851	.69046
June.....	31 ⁹ / ₁₆	31 ¹ / ₈	31.403	.68840	4.8842	.69091	.69730
Average....	....	....	30.832	.67588	4.8896	.68005	.68491

CHRISTIAN AND DEMAS.



BUNYAN ON SILVER.

A remarkable foreshadowing of the fate of the Free Silverites.

* * Now, at the further side of that plain was a little hill called LUCRE, and in that hill a silver mine, which some of them that had formerly gone that way, because of the rarity of it, had turned aside to see, but going too near the brink of the pit, the ground being deceitful under them, broke, and they were slain; some also had been maimed there, and could not to their dying day be their own men again.

Then I saw in my dream that a little off the road, over against the silver-mine, stood Demas (gentleman-like) to call to passengers to come and see, who said to Christian and his fellow: "Ho, turn aside hither, and I will show you a thing."

CHRISTIAN—"What things so deserving so to turn us out of the way?"

DEMAS—"Here is a silver-mine, and some digging in it for treasure; if you will come, with a little pains you may provide richly for yourselves."

CHR.—Then Christian called to Demas, saying: "Is not this place dangerous? Hath it not hindered many in their pilgrimage?"

DE.—"Not very dangerous, except to those that are careless;" but withal he blushed as he spoke. * *

CHR.—"What is thy name? Is it not by the which I have called thee?"

DE.—"Yes, my name is Demas. I am the son of Abraham."

CHR.—"I know you. Gehazi was your great-grandfather, and Judas your father, and you have trod their steps."

—Bunyan's *Pilgrim's Progress*,

SOUND CURRENCY.

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Each number contains a **special discussion** of some Sound Currency question.

The following is a classification of the more important countries of the world as to the respective standards upon which their currencies are actually based at the present time:

GOLD.—*United States, Great Britain, Germany, France, Belgium, Switzerland, Roumania, Bulgaria, The Netherlands, Norway, Sweden, Denmark, Turkey, Australia, Egypt, Canada, Cuba, Santo Domingo, Chile, Venezuela, Uruguay and Hayti.*

SILVER.—*India, China, Japan, Straits Settlements, Persia, Mexico, Central America, Peru, Bolivia, Ecuador.*

PAPER.—*Italy (92%), Greece (60%), Austria-Hungary (99%), Russia (66%), Servia (85%), Spain (82%), Portugal (78%), Brazil (34%), Argentina (28%), Paraguay (40%), Columbia (39%)—the figures in parentheses indicating the value of the paper currency as measured in gold.*

THE WORLD'S CURRENCIES.*

(Second Edition.)

RICHARD P. ROTHWELL.

	PAGE
UNITED STATES.....	82
GREAT BRITAIN AND COLONIES.....	82
CANADA	83
BRITISH INDIA.....	84
MINOR COLONIES....	85
GERMAN EMPIRE.....	85
AUSTRIA-HUNGARY.....	86
LATIN UNION (FRANCE, BELGIUM, SWITZERLAND, ITALY AND GREECE).....	87
SPAIN.....	89
SCANDINAVIAN UNION (SWEDEN, NORWAY AND DENMARK).....	89
THE NETHERLANDS	90
RUSSIA.....	91
PORTUGAL.....	91
TURKEY	92
ROUMANIA.....	92
SERVIA.....	92
PERSIA.....	93
CHINA	93
JAPAN	93
MEXICO	94
CENTRAL AMERICAN STATES.....	94
SOUTH AMERICAN STATES.....	95
APPROXIMATE STOCKS OF MONEY IN PRINCIPAL COUNTRIES.....	96

* For the information contained in the following pages we are especially indebted to the reports of the Director of the United States Mint, to "The Imperial Institute Year Book," 1894, for the minor British colonies, to Norman's "The World's Metal Monetary Systems," and to Muhleman's "Monetary Systems of the World."

INTRODUCTION.

This pamphlet is largely a condensation and revision of the first edition, published January 15 1895. In this revision full use has been made of the latest available statistics and other information from every trustworthy source. The portions referring to foreign banking systems have been omitted, and will be found incorporated in more detail in "The World's Bank-Note Systems."

UNITED STATES.

Gold.—The unit is the dollar, weighing 25.8 grains, 0.900 fine (23.22 grains pure gold). The multiples coined are the quarter eagle (\$2.50), half eagle (\$5), eagle (\$10) and double eagle (\$20). All are unlimited legal tender. Gold bullion is converted into coin at the mints free of charge except for the alloy contained therein.

Silver.—The unit is the dollar of 412.5 grains, 0.900 fine (371.25 grains pure silver)—a ratio of 15.9884 to 1 of gold. Silver dollars are unlimited legal tender, and are coined in limited quantities only for Government account from purchased silver bullion. Purchases suspended since November 1, 1893. The subsidiary silver coins are the dime (10 cents), quarter dollar (25 cents), half dollar (50 cents)—weighing respectively $2\frac{1}{2}$, $6\frac{1}{4}$ and $12\frac{1}{2}$ grams,* 0.900 fine, being somewhat less in weight proportionately than the standard silver dollar. Subsidiary silver coins are legal tender to the amount of ten dollars. It is the declared policy of the Government to maintain the parity in value of the coins of the two metals.

United States Notes, or "greenbacks," of which a fixed amount, \$346,681,016 remains outstanding—the remnant of the forced paper currency of the late Civil War. These notes are legal tender for all debts, public and private, except duties on imports and interest on the public debt. Since 1879 they have been redeemable in "coin" (gold); and when redeemed are reissued.

United States Treasury Notes of 1890.—\$155,931,002 issued in payments for silver bullion under the so-called Sherman Silver Purchase Act of 1890, legal tender for all debts except where otherwise expressly stipulated in the contract, and receivable for all public dues. Redeemable in gold or silver coin at the discretion of the Secretary of the Treasury. The practice is to redeem them in gold or silver at the option of the holder. Prior to September 30, 1895, \$12,264,722 had been redeemed in silver dollars and canceled and retired; \$76,032,057 in gold and reissued.

Gold Certificates, in denominations of not less than \$20, are issued by the Secretary of the Treasury upon deposit of gold coin, to be held in the Treasury for the payment of the same on demand. Though not legal tender, they are receivable for customs, taxes and all public dues.

Silver Certificates, issued against standard silver dollars deposited in the treasury. They are receivable for all public dues, but are not otherwise legal tender, and are issued in denominations of \$1, \$5 and \$10, as well as the higher denominations.

Currency Certificates, issued in denominations of not less than \$5,000 upon the deposit by national banks of United States legal-tender notes.

National Bank Notes, of which the amount outstanding January 1, 1896, was \$213,716,973.

Statement showing the amounts of gold and silver coins and certificates, United States notes and National Bank notes in circulation January 1, 1896.

	General Stock, Coined or Issued.	In Treasury.	Amount in Circulation Jan. 1, 1896.	Amount in Circulation Jan 1, 1895.
Gold coin.....	\$568,106,939 00	\$83,378,392 00	\$484,728,547 00	\$485,501,376 00
Standard silver dollars.....	423,289,629 00	364,083,702 00	59,205,927 00	57,889,090 00
Subsidiary silver.....	77,182,006 00	12,764,321 00	64,417,685 00	62,672,086 00
Gold certificates.....	50,099,889 00	163,450 00	49,936,439 00	53,361,909 00
Silver certificates.....	345,702,504 00	9,625,856 00	336,076,648 00	331,077,784 00
Treasury notes, Act July 14, 1890..	137,771,280 00	22,044,511 00	115,726,769 00	122,453,781 00
United States notes.....	346,681,016 00	115,825,143 00	230,855,873 00	264,761,858 00
Currency certificates, Act June 8, 1872.....	34,450,000 00	2,845,000 00	31,605,000 00	47,005,000 00
National Bank notes.....	213,716,973 00	7,063,137 00	206,653,836 00	201,845,738 00
Totals.....	\$2,197,000,236 00	\$617,793,512 00	\$1,579,206,724 00	\$1,626,568,622 00
Gold bullion.....	.....	29,820,315 00	.....	.....
Silver bullion.....	.....	124,612,532 00	.....	.....

GREAT BRITAIN AND COLONIES.

GREAT BRITAIN.

Up to 1798, England had the double standard, with the legal ratio of gold to silver of 1 to 15.21. But as, beginning with 1785, the ratio in France was 1 to 15.5, gold coin began to leave England and silver to take its place. To prevent this substitution of silver for gold, the English Parliament, in 1798, prohibited the coinage of silver. This measure, which was at first intended to be only provisional, soon became definitive, and

* 1 gram equals 15.43236 grains. 10 dimes, 4 quarters, or 2 half dollars, are of just the weight and mass of the 5-franc piece of the Latin Union.

practically England has had the gold standard since 1798. It became legally a gold monometallic country, however, only by virtue of the law of June 22, 1816.

Gold.—The monetary unit—the sovereign, or pound sterling—is a gold coin weighing 7.988 grams, fineness 0.916 $\frac{2}{3}$; fine gold contained 7.322 grams, or 113.001 grains (\$4.8665). The legal coins of Great Britain are the sovereign, half-sovereign, two-sovereign, and five-sovereign pieces. The gold coins in actual circulation, however, consist only of sovereigns and half-sovereigns.

Individuals have a right, under the law, to deposit gold at the royal mint for coinage and to receive therefor £3 17s. 10 $\frac{1}{2}$ d. per ounce of standard gold, but as a matter of fact, only the Bank of England sends bars to the mint. By the Bank Act of 1844 that institution is required to receive all the gold brought to it by the public, and pay therefor immediately, at the rate of £3 17s. 9d. per standard ounce. The difference of 1 $\frac{1}{2}$ d. compensates the bank for the loss of interest between the day it deposits the gold at the mint and the day it receives it again in the form of coin, and leaves it besides a small brokerage for its services. Individuals are aware that if they carried the gold to the mint themselves their losses in interest and other expenses would exceed 1 $\frac{1}{2}$ d., and prefer to sell it directly to the bank.

Silver.—The silver coins of Great Britain are the following :

Denomination.	Weight in		Fineness.	Pure Silver Contained, Grains.	Value compared with Silver in United States Silver Dollar.
	Grams.	Grains.			
Crown	28.276	436.355	.925	403.628	\$1.087
Half crown	14.138	218.177	.925	201.814	.544
Florin	11.310	174.535	.925	161.445	.435
Shilling	5.655	87.267	.925	80.722	.217
Sixpence	2.828	43.634	.925	40.361	.108
Fourpence	1.885	29.089	.925	26.907	.072
Threepence	1.414	21.818	.925	20.181	.054

Silver is legal tender only to the amount of £2 (\$9.732). The legal ratio in coinage between gold and silver is 1 to 14.28781. Silver is coined only for government account.

Bank Notes.—There is no Government paper money in circulation. The following is a statement of the amount of bank notes outstanding at the close of 1894 :

Names of Banks.	Issued against Coin and Bullion.	Uncovered.	Total.
Bank of England.....	£30,675,000	£16,800,000	£47,475,000*
English joint stock banks.....	.....	1,055,000	1,055,000
English private banks.....	.....	711,000	711,000
Scotch banks	5,363,500	1,542,500	6,906,000
Irish banks.....	3,303,800	3,197,200	6,501,000
Total	£39,342,300	£23,305,700	£62,648,000

* Of this total issue £25,856,000 was in circulation and £21,619,000 in the banking department of the Bank of England.

Estimated Stock of Money in Great Britain.—Gold, \$580,000,000 ; Silver (subsidiary), \$115,000,000 ; uncovered notes, \$113,400,000, being composed of bank notes, \$305,000,000, less metallic reserves \$191,600,000.

CANADA.

Gold.—Canada has no gold coinage of her own. The gold coins of the United States pass current and are legal tender at par, and the sovereign of the United Kingdom at the fixed valuation of \$4.866. There is very little gold in actual circulation. The Minister of Finance holds at present (January 1, 1896), about \$10,000,000 as a reserve against the outstanding Dominion notes. The amount in the banks, chartered, private and savings, is estimated to be about \$10,000,000 more.

Silver.—The silver coinage dates from 1870, previous to which the small silver pieces in circulation were mainly those of the United States. The coins are entirely subsidiary in character, of denominations of 5c., 10c., 25c. and 50c., and are legal tender to the amount of ten dollars. The total coinage since the establishment of the mint in 1870 to January 1, 1896, has been about \$6,500,000.

Dominion Notes may be issued by the Minister of Finance to the extent of \$25,000,000, redeemable on demand in gold, being secured by a reserve of which at least 15% of the total issue shall be gold, and at least 25% gold and Dominion securities guaranteed by the Imperial Government, the remaining 75% being covered by ordinary Dominion securities held by the Minister of Finance. The issue of notes may be increased above the \$25,000,000 limit by the issue of additional notes upon the deposit of gold to the full extent of the issue. These notes are legal tender, and are issued in denominations of 25c., \$1, \$2 and \$4, as well as the usual higher denominations. The aggregate issue is now \$22,000,000, over \$15,000,000 of which are held by the banks as reserves.

Bank Notes.—The aggregate circulation December 1, 1895, was \$34,362,736.

Estimated Stock of Money in the Dominion of Canada.—Gold, \$20,000,000; silver (limited tender), \$6,500,000; uncovered paper, \$40,000,000, being Dominion notes \$22,000,000 plus bank notes \$35,000,000—less metallic reserve \$17,000,000.

BRITISH INDIA.

The fundamental monetary law of British India bears date August 17, 1835. The standard of the country is silver monometallic. The monetary unit is the rupee, of the legal weight of 180 Troy grains, fineness 0.916 $\frac{2}{3}$, and containing 165 grains of pure silver.

Until 1893 the coinage of silver was unlimited, and the mint charge 2 $\frac{1}{4}$ per cent.

The act of the Governor-General of India in council of June 26, 1893, closed the Indian mints to the free coinage of silver from and after the date of its passage, but did not change the weight, fineness or legal-tender character of the rupee. Silver may still be coined in India on Government account, and the Government holds itself ready to furnish new rupees to individuals in exchange for gold at the rate of the silver rupee for 16 pence in gold, or 15 rupees for £1 sterling—a ratio of about 22 to 1. It has not been found possible, however, to maintain this arbitrary rate of exchange.

Large payments are estimated in laes of 100,000 rupees and in crores of 100 lacs. A crore thus equals 10,000,000 rupees—written 10,000,000 Rs. or Rs. 10,000,000, or Rs. 1,00,00,000. But it is the custom to express large amounts in tens of rupees, thus Rx 1,000,000 = 10,000,000 rupees.

The silver rupee and half rupee are unlimited legal tender, provided the coins have not lost more than 2 per cent. in weight and have not suffered deterioration otherwise than by abrasion. The quarter rupee and eighth rupee are legal tender only to the amount of fractions of the rupee.

There is a coinage charge of 1 per cent. for gold. The ratio of gold to silver in coinage is 1 to 15. Gold is not legal tender.

The denominations, weight, fineness, etc., of the gold and silver coins of British India are shown in the following table:

Gold.	Weight, Grains.	Fineness.	Pure gold con- tained, Grains.	Value in U. S. Gold Coin.
Double Mohur (20 rupees).....	360	.916 $\frac{2}{3}$	330	\$14.212
Mohur (15 rupees).....	180	.916 $\frac{2}{3}$	165	7.106
Two-thirds Mohur (10 rupees).....	120	.916 $\frac{2}{3}$	110	4.734
One-third Mohur (5 rupees).....	60	.916 $\frac{2}{3}$	55	2.367

Silver.	Weight, Grains.	Fineness.	Pure Silver con- tained, Grains.	Value compared with silver in U. S. Silver Dollar
Rupee.....	180.000	.916 $\frac{2}{3}$	165.000	\$0.444
One-half rupee.....	90.000	.916 $\frac{2}{3}$	82.500	.222
One-fourth rupee.....	45.000	.916 $\frac{2}{3}$	41.250	.111
One-eighth rupee.....	22.500	.916 $\frac{2}{3}$	20.625	.055

Currency Notes.—Previous to the law of July 16, 1861, providing for the issue of a paper currency through a Government department of public issue, there were three “chartered banks of India” (at Bengal, Bombay and Madras) authorized to issue bank notes to the amount of 52,000,000 rupees, a privilege of which that law deprived them, substituting a system of currency notes of the Government of India, payable to bearer on demand. Geographical districts of issue have since then been established from time to time, and the notes made legal tender within the district for which they were issued; and made payable only at the place of issue; they are also receivable for Government dues, irrespective of the place of issue.

At present there are eight circles of issue, which issue notes ranging from 5 to 10,000 rupees in value, in exchange for silver coin at par, and at Calcutta and in Bombay in exchange for gold coin or bullion at the rate of 1 rupee for 7.53344 grains of fine gold,—a ratio of about 22 to 1.

The whole amount of the coin and bullion thus received is retained as a reserve for payment of the notes issued, with the exception of a fixed amount which is invested in Government securities. The maximum limit of the amount so invested was originally fixed in 1882 at 60,000,000 rupees. The issues having largely expanded, the Government of India was empowered in 1890 to raise the limit to 80,000,000 rupees.

The amount of currency notes in circulation on the 31st of March, 1893, was 264,013,200 rupees, of which all except the 80,000,000 rupees mentioned above was covered by coin and bullion.

Estimated Stock of Money in British India.—Silver (full legal tender), \$950,000,000; uncovered currency notes, \$37,000,000.

MINOR BRITISH COLONIES.

Except as noted, their monetary systems are the same as that of Great Britain.

THE BERMUDAS.—The legal tender is British currency—British silver without limit.

TURK AND CAICOS ISLANDS.—Commercial accounts are kept in dollars and government accounts in sterling. The legal currency British sterling, United States gold and silver, Spanish, Mexican and Columbian gold doubloons and Jamaica nickel tokens.

NEWFOUNDLAND.—The legal tender currency is British sterling, United States gold and Colonial coins. Accounts are kept in dollars and cents.

BRITISH HONDURAS.—The standard of value is the Guatemalan dollar. The Venezuelan, Chilian and Peruvian silver coins are also legal tender. Dollars are legal tender to any amount, and smaller silver coins to the amount of \$50. There is no paper currency and no gold in circulation.

MAURITIUS, AFRICA.—Accounts are kept in rupees and cents and the currency is based on silver. There is a government note issue, with a circulation at the close of 1892 of Rs. 2,856,250, in notes of five, ten and fifty rupees.

THE GAMBIA, AFRICA.—The legal tender is the currency of the Latin Union. There is no note currency.

SIERRA LEONE, AFRICA.—British gold doubloons and the coins of the Latin Union, all of which are legal tender. There is no note circulation.

GOLD COAST COLONY, AFRICA.—The currency and legal tender is the British sterling with Spanish, American and French gold coins, and under a local ordinance gold dust at the rate of £3 12 shillings per ounce. American dollars and other silver coins are currency, but are not legal tender.

GIBRALTAR.—The legal currency is that of Spain, and the depreciation of the silver currency in Spain affects Gibraltar.

CYPRUS.—The English sovereign, half sovereign, Turkish lira and Turkish franc. Silver: the English florin, 6 pence and 3 penny pieces. Bronze: the legal piastre (9 = 1 shilling). There is no note circulation.

BRITISH GUIANA.—British and American gold coin and British silver coin are legal tender. Bank notes by the Colonial and the British Guiana Bank amounted on March 31, 1893, to \$145,547.

CEYLON.—The legal tender currency is the rupee of India and its silver subdivisions. There is no limit to the legal tender of silver. Ceylon copper coins, representing 5 cents, 1 cent, a half-cent and a quarter-cent, are also currency.

The Ceylon Government issues currency notes of Rs. 5, 10, 50, 100, 500 and 1,000. The amount in circulation at the end of 1893 was Rs. 8,183,000.

THE STRAITS SETTLEMENTS.—The legal-tender currency consists of the Hong Kong silver dollar, the silver dollar of Spain, Mexico, Peru and Bolivia; the American trade dollar and the Japanese yen, provided that no dollar shall be a legal tender unless it is of the same fineness and intrinsic value as the Hong Kong dollar, and is of not less than 415 grains troy weight. There are silver and copper coins representing fractional parts of the dollar. The bank-note circulation is small.

HONG KONG.—The currency consists of the silver dollar of Mexico and the Hong Kong dollar coined at the local mint and of small silver and bronze coins, together with a small amount of bank-notes.

CAPE OF GOOD HOPE.—British Currency. The bank-note circulation within the colony January 1, 1893, amounted to £589,853 (\$2,870,000).

GERMAN EMPIRE.

The fundamental laws of the present monetary system of Germany are those of December 4, 1871, and July 9, 1873. The former was concerned exclusively with the creation of the gold coins of the Empire and provided for the retirement of the old gold coins. It dealt with silver only to authorize the retirement of the current coins of that metal. The law of July 9, 1873, was supplemental to it and organized the new monetary system.

Gold.—The standard is gold (monometallic), and the monetary unit the mark, of 100 pfennige. The gold coins are:

Denominations.	Legal weight in		Fineness.	Fine Gold Contained.		Value in U. S. Gold coin.
	Grams.	Grains.		Grams.	Grains.	
20 marks (Double Crown).....	7.96495	112.915	.900	7.163458	110.623	\$4.764
10 marks (Crown).....	3.98247	61.457	.900	3.581229	53.311	2.382
5 marks (Half Crown).....	1.99123	30.728	.900	1.792114	27.656	1.191

As to gold, the law of 1873 made no change in the law of 1871, save to authorize the coinage of the 5-mark gold piece, and to allow the coinage of 20-mark gold pieces on private account when the mints were not occupied on account of the State.

Silver.—The coinage of silver is solely on account of the State—the total coinage being limited to 10 marks per capita of the population of the Empire. Silver is legal

tender to the amount of 20 marks. All these coins are exchangeable for gold at the public treasuries.

In effecting its monetary reform Germany called in all its old silver coins, with the exception of its thalers, which are still in circulation to the amount of about 400,000,000 marks, the thaler being reckoned as equivalent to 3 marks of the new system. These thalers are full legal tender to any amount. Up to the end of March, 1893, there had been sold by the German Empire 7,205,152 lbs. of fine silver as the result of melting silver coins of the nominal value of 672,862,730 marks, producing an aggregate of 574,055,532 marks—the loss thus being 98,807,197 marks, 24,400,000 of which, however, must be charged to abrasion of the coins melted.

The denominations, weight and comparative values of the silver coins are :

Denominations.	Weight in		Fineness.	Pure Silver Contained.		Value compared with Silver in U. S. Silver Dollar.
	Grams.	Grains.		Grams.	Grains.	
5 marks.....	27.777	428.666	.900	25.00	385.809	\$1.039
2 marks.....	11.111	171.466	.900	10.00	154.319	.416
1 mark.....	5.555	85.733	.900	5.00	77.160	.203
50 pfennige.....	2.777	42.867	.900	2.50	38.580	.104
20 pfennige.....	1.111	17.146	.900	1.00	15.432	.042

Imperial Treasury Notes.—The amount of these notes issued is equal to the sum which the Empire has set aside in coined gold as a war fund, without interest. At the end of December, 1894, there were outstanding 20,000,000 marks in denominations of 5 marks, 30,000,000 in denominations of 20 marks and 70,000,000 marks in denominations of 50 marks ; a total of 120,000,000 marks, or, approximately \$30,000,000.

These notes are accepted at par in payment at all treasuries of the Empire and of the Confederate States, and on demand are redeemed in coin at the Imperial chief treasury. In private transactions they are not a legal tender.

Bank Notes.—At the end of December, 1894, the total circulation of bank notes amounted to 1,401,836,000 marks (\$333,000,000) of which 253,780,000 marks (\$60,400,000) are uncovered notes, the remainder being covered by specie, gold bullion, Treasury notes, and notes of other banks.

Estimated Stock of Money in the German Empire.—Gold, \$625,000,000 ; silver (thalers), \$105,000,000 ; silver (limited tender), \$110,000,000 ; uncovered notes, \$60,400,000, being, bank notes, \$333,600,000, less metallic reserve, \$273,200,000.

AUSTRIA-HUNGARY.

The monetary system established in Austria-Hungary in 1857, was the silver monometallic with the florin of 100 kreutzers as the monetary unit. The coinage of silver on private account was suspended in 1879.

But while Austria-Hungary has been legally a country with a single silver standard, practically it has had no metallic money in circulation. For nearly half a century it has, with the exception of about eight months had nothing but an irredeemable paper currency issued by the Austro-Hungarian Bank in denominations of 10, 100 and 1,000 florins, and by the treasury of 1, 5 and 50 florins. For a long series of years there was a premium on silver, but since the end of 1878, silver and paper have usually been at par. The value of the silver florin, owing to the limitation of the coinage of silver, is considerably greater than that of the pure metal it contains.

The provisions of the recent Austro-Hungarian currency reform are embodied in six laws, the two most important of which are those on the new currency system and on the monetary treaty of Austria with Hungary, both passed in 1892. The other four are merely auxiliary to those two. They are intended to fix the relative value of the gold florin to the new gold coins ; to determine the changes which have become necessary in the bank act ; to authorize the Government to raise a gold loan, and to provide for the conversion of certain 5 per cent. bonds free of tax.

The new monetary system is gold monometallic, and the gold crown of 100 hellers (farthings) the monetary unit. The new currency is to consist of gold, silver, nickel and bronze coins.

Gold.—The denominations, weight, etc., of the gold coins of the Austro-Hungarian Empire, are as follows :

Denomination.	Weight, Grains.	Fineness.	Pure Gold Contained, Grains.	Value in United States Gold Coin.
20 crown piece.....	104.553	.900	94.097	\$1.052
10 crown piece.....	52.276	.900	47.049	.2036
OLD SYSTEM :				
4 ducats.....	215.497	.986 ¹ / ₅	212.451	9.149
1 ducat.....	53.866	.986 ¹ / ₅	53.112	2.287
8 florin piece.....	99.561	.900	89.605	3.859
4 florin piece.....	49.780	.900	44.802	1.929

The coinage charge is 4 crowns for 1 kilogram of gold for the bank and 6 on private account. The gold trade coins, 4 ducats and 1 ducat, continue to be coined as heretofore, but are not legal tender.

Silver.--The silver coins are :

Denomination.	Weight. Grains.	Fineness.	Pure Silver Contained, Grains.	Value compared with Silver in United States Silver Dollar.
1 crown piece.....	77.160	.835	64.423	\$0.174
50 heller piece.....	38.580	.835	32.214	.087
OLD SYSTEM :				
Maria Theresa thaler (Levantine)...	433.089	.833½	360.763	.972
2 florins	381.035	.900	342.932	.924
1 florin.	190.517	.900	171.465	.462
Quarter florin.	82.434	.520	42.866	.115
20 kreutzer piece.....	41.141	.500	20.570	.055
10 kreutzer piece.....	25.709	.400	10.285	.027

The ratio of gold to silver in the new system is 1 to 13.69. Silver is coined only on account of the State. Silver coins are unlimited legal-tender at their nominal value to the State ; to private parties to the amount of 50 crowns. The Levantine or Maria Theresa silver thalers continue to be minted as trade coins with the old weight and fineness.

The monetary agreement between Austria and Hungary provides that there shall be coined in all by the two countries 200,000,000 crowns in silver coins, of which Austria's share is 140,000,000 crowns. The agreement is to remain in force until the end of 1910. Arrangements are to be made at the proper time for the regulation of the fiduciary circulation and the resumption of specie payments. Austrian paper money is to remain in circulation provisionally. The paper florin is, like the silver florin, to be worth two crowns.

The introduction of the coins of the new system will be made by degrees, in the course of several years, during which time the coins of the old silver standard, as well as the State notes, will remain current. The coins of the new system, multiplied by two, are to be the same value as the pieces of the old silver and paper currency—1 silver or paper florin, for instance, being equal to 2 crowns, and 1 kreutzer to 2 hellers. The value of the new crown is \$0.2026 against \$0.482, the value of the gold florin.

State Treasury Notes, issued under a mutual guaranty of all divisions of the Empire without previous deposit of special metallic equivalent. This particular form of Austrian paper currency dates from 1866. The maximum issue is made to depend in a curious manner upon the amount of so-called Salt Works Notes—interest-bearing treasury bills, running for short periods. The latter cannot exceed 100,000,000 florins, while both together must not exceed 412,000,000 florins. Until quite recently these notes were greatly depreciated, but they are now (January, 1896) depreciated only 1 per cent. below their nominal value in gold. The amount in circulation at the close of 1894 was 303,305,895 florins, in denominations of 1, 5 and 50 florins. They are legal tender. They are now being withdrawn from circulation.

Estimated Stock of Money in Austria-Hungary.—Gold, \$140,000,000 ; silver (mainly full legal tender), \$120,000,000 ; uncovered notes, \$204,700,000 ; being Government notes, \$146,200,000, plus bank notes, \$244,700,000, less metallic reserve, \$186,200,000.

THE LATIN UNION.

(FRANCE, BELGIUM, ITALY, SWITZERLAND AND GREECE.)

Previous to the formation of the Latin Union there had existed a *de facto* monetary union between France, Belgium, Italy and Switzerland, the three latter countries having adopted the system established by the French law of the 17th of Germinal, year XI. (April 6, 1803), the basis and monetary unit of which was the silver franc, and which granted legal currency to gold at the ratio in coinage of gold to silver of 1 to 15½.

The change, however, in the commercial ratio of the value of the precious metals, consequent on the enormous production of gold in California and Australia, caused an ever increasing substitution of gold for silver in the monetary systems of these great countries. In the years 1850-1865 silver began to be exported from them, and a great dearth of silver coins to be felt. By the monetary convention of December 22, 1865, and the formation of the Latin Union, the contracting States maintained the double standard and the existing ratio of value of 1 to 15½, but limited the standard (full legal tender) silver coins to be stamped to the 5-franc piece.

By the convention of 1865 each of the contracting States obligated itself to receive into its treasuries the coins manufactured by the others, without limitation as to the value, in the case of gold coins and 5-franc silver pieces, and to the amount of 100 francs in the case of other silver pieces in any one payment. It was further stipulated that the latter should be legal tender in the country that issued them, to the amount of 50 francs, between private parties in any one payment, and that they should be taken back by such country and exchanged for gold or 5-franc silver pieces, this obligation to be prolonged during the two years beginning with the expiration of the convention. This first convention of the Latin Union, to which Greece became a party in 1867, was concluded for

a period of fifteen years, with a provision for tacit renewal. It maintained the fineness of 0.900 for the 5-franc silver piece, and provided for the free coinage of both metals, thus putting the Latin Union under the bi-metallic system.

The depreciation of silver, which began in 1872, forced the contracting powers first to limit and then to suspend the coinage of the 5-franc silver piece. These measures were taken in fulfillment of special conventions dated January 31, 1874 ; April 26, 1875, and February 3, 1876.

The convention of 1865 expired on the 1st of January, 1880. A new convention of the 5th of November, 1878, prolonged the duration of the Latin Union for five years. The convention now in force is dated November 6, 1885. By its terms the suspension of the coinage of the 5-franc silver piece is maintained in the countries of the Union. It was likewise stipulated in the convention of 1885 that the coins of each of the contracting powers should be received by the treasuries of the others as well as by the banks of France and Belgium, and that the Union might be terminated any time after January 1, 1891, by giving one year's notice.

During the year following the termination of the convention the several governments are to proceed to the exchange and return to the country that issued them of the 5-franc silver pieces, any balance remaining after the exchange having to be settled in gold or bills of exchange on the debtor State.

In brief, therefore, the Latin Union has now the single gold standard—the coinage of gold being unlimited and that of silver suspended. The ratio of gold to silver is 1 to 15½ ; 3,100 francs being coined out of the kilogram of standard gold, and 200 francs out of the kilogram of standard silver ; 3,444⅔ francs out of the kilogram of pure gold, and 222⅔ francs out of the kilogram of pure silver. The coinage charge is 7⅓ francs per kilogram fine for silver. Gold coins and the 5-franc silver pieces are unlimited legal tender.

Gold.—The gold coins are :

Denomination.	Legal Weight in—		Fineness.	Fine Weight in—		Value in U. S. Gold Coin.
	Grams.	Grains.		Grams.	Grains.	
100 francs.....	32.258	497.806	.900	29.032	448.025	\$19.295
50 francs.....	16.129	248.903	.900	14.516	224.012	9.647
20 francs.....	6.452	99.561	.900	5.806	89.605	3.859
10 francs.....	3.226	49.780	.900	2.903	44.802	1.929
5 francs.....	1.613	24.890	.900	1.452	22.401	.964

Silver.—The franc is known as the lire in Italy, and as the drachma in Greece. The only full legal-tender silver coin is the 5-franc piece, legal weight 25 grams (385.8 grains) ; fineness, 0.900 ; fine weight, 22.5 grams, or 347.22 grains.

The divisional silver coins are :

Denomination.	Legal Weight in—		Fineness.	Fine Weight in—		Value Compared with Silver in U. S. Silver Dollar.
	Grams.	Grains.		Grams.	Grains.	
2 francs.....	10	154.320	.835	8.35	128.85	\$0.347
1 franc.....	5	77.160	.835	4.18	64.43	.174
50 centimes.....	2.5	38.580	.835	2.088	32.21	.087
20 centimes.....	1	15.432	.835	0.835	12.88	.035

The centime is called the centesimo (plural, centesimi) in Italy, and the lepton (plural, lepta) in Greece. These silver coins of less denomination than 5 francs, are legal tender between individuals to the amount of 50 francs, and are receivable by the State to the amount of 100 francs in single payments.

FRANCE.

There is no Government paper money in France. The only bank of issue is the Bank of France.

Estimated Stock of Money in France.—Gold, \$850,000,000 ; silver (full legal tender), \$430,000,000 ; limited tender, \$57,900,000 ; uncovered paper, \$32,800,000, being composed of bank notes, \$671,900,000, less metallic reserves, \$639,100,000.

BELGIUM.

Like France, the coinage system is that of the Latin Union, described above, and there is no other Government currency. The only bank notes are those issued by the National Bank of Belgium.

Estimated Stock of Money in Belgium.—Gold, \$55,000,000 ; silver (full legal tender), \$48,000,000 ; limited legal tender, \$6,900,000 ; uncovered paper, \$65,400,000, being bank notes, \$90,600,000, less metallic reserves, \$25,200,000.

ITALY.

State Notes.—In 1874 the six banks of issue in Italy formed a syndicate to lend the Government 1,000,000,000 lire, and to issue notes in representation thereof. Upon

the abandonment of forced currency the syndicate was dissolved, and the syndicate notes became a State debt. The amount of these State notes outstanding at the end of 1894 was 400,000,000 lire, against which the treasury held a metallic reserve amounting to 117,770,176 lire. In addition to these State notes the Italian Government issues silver certificates in denominations of 1 and 2 lire (20 cents and 40 cents). Of these there were in circulation at the close of 1894 92,149,221 lire (\$18,000,000), fully covered by silver coin held, and not included in the amount of reserve stated above.

All the paper currency is now depreciated below par with gold—in 1895 about 8%.

Bank Notes.—The amount of bank notes outstanding at the close of December, 1894, was 1,126,152,657 lire (\$217,300,000), the amount of metallic reserve held by the banks being 513,242,895 lire (\$99,000,000).

Estimated Stock of Money in Italy.—Gold, \$98,200,000; silver, \$41,400,000; uncovered paper, \$172,800,000, being composed of State notes, \$77,200,000, plus bank notes, \$217,400,000, less metallic reserves, \$121,800,000.

SWITZERLAND.

Estimated Stock of Money in Switzerland.—Gold, \$14,900,000; silver, \$15,000,000; uncovered paper, \$16,400,000, being composed of bank notes, \$34,600,000, less metallic reserve, \$18,200,000.

GREECE.

Bank Notes.—Greece has three banks authorized to issue notes, but these notes are legal tender; the metallic reserves are merely nominal, and the country at this time is so completely under an irredeemable paper money régime that it may be said to have no bank-of-issue system. The amount of bank notes outstanding is about 120,000,000 drachmas, in addition to which there are some 14,000,000 drachmas of **Government notes** in circulation. Gold is at a premium, averaging at present about 60 per cent.

Estimated Stock of Money in Greece.—Gold, \$500,000; silver, \$1,500,000; uncovered paper, \$24,600,000; being composed of Government notes, \$2,700,000, plus bank notes, \$22,400,000, less metallic reserves, \$500,000.

Estimated Total Stock of Money in Latin Union.—Gold, \$1,018,600,000; silver, \$600,700,000; uncovered paper, \$312,000,000.

SPAIN.

Gold and Silver.—Though not a party to it, Spain, by a decree of the 19th of October, 1868, adopted the monetary system of the Latin Union. Its monetary unit is the silver *peseta*, equivalent to the franc. It has the same gold and silver coins as the Union, to which a gold 25-peseta piece was added August 20, 1876.

The coinage of gold is free, and there is no coinage charge for that metal; but depositors cannot get the coined gold until eighteen days after the delivery of the bullion to the mint. Since 1878 silver has been coined only on account of the State. The ratio of gold to silver is 1 to 15½. Gold and the 5-peseta silver piece are unlimited legal tender; divisional silver coin, *i. e.*, all silver coins of less value than 5 francs, only to the amount of 50 pesetas. The average premium upon gold, above the silver and paper currency of the country, has been during the past year about 16 per cent.

Bank Notes.—The only bank of issue in the country is the Bank of Spain. Its notes are legal tender, and form a large part of the circulation. The aggregate amount in circulation January 1, 1895, was 909,400,000 pesetas (\$175,500,000).

Estimated Stock of Money in Spain.—Gold, \$40,000,000; silver (full tender), \$126,000,000; silver (limited tender), \$40,000,000; uncovered notes, \$83,700,000; being bank notes, \$175,500,000, less metallic reserve, \$91,800,000.

SCANDINAVIAN UNION.

SWEDEN, NORWAY AND DENMARK.

The Scandinavian Monetary Union embraces Sweden, Norway and Denmark. These three kingdoms concluded in 1873 and 1875 a monetary convention based on the employment of the single gold standard and on a common system of coins and money of account. The krone or crown, divided into 100 öre, is the monetary unit.

Gold.—The gold coins are:

Denomination.	Legal Weight in—		Fineness.	Fine Weight in—		Value in U. S. Gold Coin.
	Grams.	Grains.		Grams.	Grains.	
20 kronen	8.9606	138.280	.900	8.06454	124.452	\$5.36
10 kronen	4.4803	69.140	.900	4.03227	62.226	2.68

(2,480 kronen are manufactured out of 1 kilogram of fine gold.) The coinage of gold is unlimited. The coinage charges for gold are one-quarter per cent. per kilogram fine for 20-kronen pieces, and one-third per cent. per kilogram fine for 10-kronen pieces.

Silver :

Denominations.	Legal Weight in		Fineness.	Fine Weight in		Value compared with Silver in U. S. Silver Dollar.
	Grams.	Grains.		Grams.	Grains.	
2 kronen	15.000	231.480	.800	12.000	185.184	\$0.499
1 krone	7.500	115.740	.800	6.000	92.592	.249
50 öre	5.000	77.160	.600	3.000	46.296	.125
40 öre	4.000	61.780	.600	2.400	37.038	.100
25 öre	2.420	37.345	.600	1.452	22.407	.060
10 öre	1.450	22.376	.400	0.580	8.950	.024

Silver coins are legal tender as follows : The 2 kronen and 1 kronen pieces to the amount of 20 kronen ; the 50, 40, 25 and 10 ore pieces to the amount of 5 kronen. Silver is coined only on account of the Government.

All the coins above mentioned have legal currency in the three kingdoms. The Monetary Convention does not limit the coinage by the Governments of the silver or bronze coins. In each of the three States there are public treasuries at which any sum of fractional coin divisible by 10 kronen may be exchanged for gold.

Bank Notes.—Neither of the countries of the Scandinavian Union has any other paper money than bank notes. In Sweden these aggregate about 113,000,000 crowns (\$30,000,000), nearly half of which are issued by the State Bank. In Norway the only notes are those of the Bank of Norway, 47,784,800 crowns (\$12,000,000) in amount January 1, 1895. Likewise in Denmark, the only notes are those of the National Bank, aggregating 82,000,000 crowns (\$21,500,000).

Estimated Stock of Money in the Scandinavian Union.—Gold, \$30,000,000; silver, \$12,200,000; uncovered notes, \$26,800,000—being bank notes, \$64,000,000; less metallic reserves, \$37,200,000.

THE NETHERLANDS.

When England in 1816 adopted the gold standard, Holland, or the Netherlands, which then had the single silver standard, went over to the double standard, with the ratio of gold to silver of 1 to 15.873. They returned in 1847 to the silver standard, and afterward, in 1875, again replaced the latter by the double standard at a ratio of 15.625 to 1. The fundamental monetary laws of the country at the present time are those of June 6, 1875, and December 9, 1877—the latter suspending the coinage of silver, except on Government account. The monetary unit is the guilder or florin, of 100 cents.

Gold.—The standard gold coins are the 10-florin and 5-florin pieces. The 10-florin piece has a legal weight of 6.720 grams, 0.900 fine, and contains 6.048 grams (93.332 grains) of fine gold, worth in U. S. gold \$4.019. Thus out of a kilogram of pure gold there are coined 1,653.43 florins. No 5-florin pieces have as yet been coined.

In addition to these coins, which are legal tender, certain trade coins are struck, which are not legal tender. These are the double ducat and the ducat, 0.983 fine, and containing, respectively, 6.8692 and 3.4346 grams of pure metal.

The coinage of gold is free and the coinage charge is 5 florins per kilogram.

Silver.—The silver coins are :

Denominations.	Legal Weight in		Fineness.	Fine Weight in		Value Compared with Silver in U. S. Silver Dollar.
	Grams.	Grains.		Grams.	Grains.	
Rixdaler (2½ florins)	25	385.800	.945	23.625	364.581	.982
Florin	10	151.323	.945	9.450	145.832	.393
Half florin	5	77.160	.945	4.725	73.916	.196
25-cent piece	3.575	55.170	.640	2.288	35.308	.095
10-cent piece	1.400	21.604	.640	0.896	18.824	.037
5 cent piece	0.685	10.571	.640	0.438	6.765	.018

The standard silver coins (rixdaler, florin and half-florin) are unlimited legal tender. Silver fractional coins are legal tender to the amount of 10 florins. The coinage of standard silver coins, except on account of the State, has been suspended since December 9, 1877. The coinage of fractional silver is wholly on Government account.

The monetary system of the Netherlands colonies is the same as that of the mother country.

Bank Notes.—The Bank of the Netherlands, founded in 1814, has the exclusive right of issue. December 31, 1894, the amount of its notes in circulation was 202,943,170 florins (\$81,583,154), while its metallic reserve amounted to 131,727,423 florins (\$53,954,424).

Government Notes.—In addition to the bank notes there are Government notes in circulation to the extent of 15,000,000 florins (\$6,030,000).

Estimated Stock of Money in the Netherlands.—Gold, \$29,200,000 ; silver (full tender), \$53,000,000 ; silver (limited tender), \$3,900,000 ; uncovered notes, \$34,600,000 ; being State notes, \$6,000,000 ; plus bank notes, \$81,600,000 ; less metallic reserve, \$53,000,000.

RUSSIA.

Gold.—The fundamental monetary law of the country is dated December 17, 1885, and went into force January 1, 1886. The monetary unit is the silver ruble of 100 kopecks. The law provides for the coinage of both gold and silver in the ratio of 1 to 15½. The gold coins are the imperial (10 rubles) and half imperial (5 rubles) of the legal weight of 12.9039 and 6.4519 grams respectively, and the fineness of 0.900. The imperial, therefore, contains 11.6135 grams of pure gold (value \$7.718) and the half imperial, 5.8067 grams. The coinage of gold on private account is unlimited, and the mint charge is 3 per cent. for that metal.

Silver.—The full legal tender silver coins are the ruble, ½-ruble and ¼-ruble pieces. The divisional coins of Russia are of silver and copper, and are all legal tender to the amount of 3 rubles between individuals and unlimited legal tender to the State for taxes, etc. The coinage of silver on private account is suspended.

The denominations, weight, etc., of the silver coins are as follows :

Denominations.	Legal Weight in		Fineness.	Fine Weight in		Value Com- pared with Silver in U. S. Silver Dollar.
	Grams.	Grains.		Grams.	Grains.	
FULL LEGAL TENDER.						
Ruble.....	19.995	308.571	.900	17.996	277.714	.748
50 kopecks ($\frac{1}{2}$ ruble).....	9.997	154.285	.900	8.998	138.857	.374
25 kopecks ($\frac{1}{4}$ ruble).....	4.999	77.143	.900	4.499	69.428	.187
DIVISIONAL COINS.						
20 kopecks.....	3.599	55.540	.500	1.799	27.770	.075
15 kopecks.....	2.699	41.655	.500	1.349	20.827	.056
10 kopecks.....	1.799	27.770	.500	.899	13.885	.037
5 kopecks.....	.899	13.885	.500	.449	6.942	.019

Paper.—The actual currency of the country, however, is inconvertible paper. Bills of credit—"credit rubles"—are issued by the Government, through the National Bank of Russia, which is the only bank of issue in the empire. Though nominally convertible in silver, for many years they have not been so, but have at times been depreciated even below the value of silver. As a consequence, silver as well as gold has been driven from circulation. The depreciation of the paper currency is measured by its value in gold. In July, 1895, the paper ruble was quoted at 0.672—and was therefore worth 51 cents instead of 77.2 cents, the value of the gold ruble.

An important change in the Russian law was made by the Act of May 29, 1895, permitting commercial transactions to be concluded on a gold basis. In such transactions payment may be made either in gold, or if so desired by the contracting parties, in paper money according to its gold valuation upon the day of payment. The transactions of farmers and peasants are excluded from the operation of the law, and their engagements will continue to be made and liquidated in the paper currency as heretofore.

The measure is evidently the beginning of a policy designed ultimately to bring the circulating medium of the Empire to a gold basis. At the large centres of trade it is expected to introduce gold into active circulation at once ; to facilitate which large amounts of gold are being coined by the Imperial mint.

Estimated Stock of Money in Russia.—Gold, \$480,000,000 ; silver, \$48,000,000 ; uncovered notes, \$539,000,000, being composed of the notes of the State Bank, \$809,000,000 ; less metallic reserves, \$270,000,000.

PORTUGAL.

Gold.—The present monetary system of Portugal was established by the law of July 29, 1854, and is nominally gold monometallic, with the milreis of 1,000 reis as monetary unit. One thousand milreis, or a million reis, is called a conto.

Gold is coined in unlimited amounts on private account at a mint charge of 1 milreis per kilogram.

Denomination.	Legal Weight.		Fineness.	Fine Weight.		Value in U. S. Gold Coin.
	Grams.	Grains.		Grams.	Grains.	
Crown or 10 milreis.....	17.735	273.686	.916½	16.2569	250.878	\$10.804
Half Crown or 5 milreis.....	8.868	136.843	.916½	8.1284	125.439	5.402
Fifth Crown or 2 milreis.....	3.547	54.736	.916½	3.2513	50.175	2.161
Tenth Crown or 1 milreis.....	1.774	27.368	.916½	0.6256	25.088	1.08

Silver.—Silver, like copper, is coined only in divisional coins.

Silver is legal tender only to the amount of 5 milreis, but by Lisbon commercial usage one-third of all payments are accepted in that metal.

Denomination.	Legal Weight.		Fineness.	Fine Weight.		Value compared with silver in U. S. Silver Dollar.
	Grams.	Grains.		Grams.	Grains.	
5 Testones or 500 reis.....	12.5	192.900	.916 $\frac{2}{3}$	11.4582	176.825	\$0.476
2 Testones or 200 reis.....	5.0	77.160	.916 $\frac{2}{3}$	4.5833	70.730	.190
Testone or 100 reis.....	2.5	38.580	.916 $\frac{2}{3}$	2.2916	35.365	.095
Half Testone or 50 reis.....	1.25	19.290	.916 $\frac{2}{3}$	1.1458	17.682	.048

Bank Notes.—The notes of the Bank of Portugal, at present inconvertible, constitute the actual currency of the country. They are depreciated below par—the premium on gold in 1894 averaging 25 per cent. The total amount outstanding January 1, 1895, was \$56,835,908.

Estimated Stock of Money in Portugal.—Gold, \$38,000,000; silver (limited tender), \$24,800,000; uncovered notes, \$45,800,000; being bank notes, \$56,800,000; less metallic reserve, \$11,000,000.

TURKEY.

Gold.—The monetary system of Turkey has the piaster, equal to 40 paras, 3 aspes, as monetary unit. The gold coins are the 500, 250, 100, 50 and 25 piaster pieces, all of the same fineness, viz., 0.916 $\frac{2}{3}$. The 100 piaster piece, or gold medjidie, is called the Turkish pound. It has a gross weight of 7.216 grams and a fine weight of 6.6146 grams. The gross and fine weight of the other gold coins are proportional to those of the Turkish pound. The mint charge for gold is 1 per cent.

The following table shows the weight, etc., of the gold coins of Turkey, expressed both in grams and in grains.

Denomination	Weight in—		Fineness.	Pure Gold Contained.		Value in U. S. Gold Coin.
	Grams.	Grains.		Grams.	Grains.	
500 piasters.....	36.680	556.817	.916 $\frac{2}{3}$	33.0730	510.416	\$21.982
250 piasters.....	18.040	278.408	.916 $\frac{2}{3}$	16.5365	255.208	10.991
100 piasters.....	7.216	111.363	.916 $\frac{2}{3}$	6.6146	102.082	4.396
50 piasters.....	3.608	55.681	.916 $\frac{2}{3}$	3.3073	51.041	2.198
25 piasters.....	1.804	27.840	.916 $\frac{2}{3}$	1.6536	25.520	1.099

Silver.—The silver coins are the 20, 10, 5, 2, 1 and half piaster pieces, 0.830 fine. The 20 piaster piece has a gross weight of 24.055 grams, and a fine weight of 19.9656 grams. The 10, 5, 2, 1 and half piasters have a proportional gross and fine weight. The ratio of gold to silver was originally 1 to 15.09. By a decree the Government lowered the value of the 20-piaster piece to 19 piasters, in consequence of which debasement of the ratio of gold to silver is 1 to 15 $\frac{1}{2}$. The coinage of silver is suspended, and the currency kept on a gold basis.

Bank Notes.—The only bank of issue in Turkey is the Imperial Ottoman Bank. Its notes are payable exclusively in gold. Its reserve is generally greater than its circulation. Thus, at present it has a reserve of about \$9,500,000, and a note circulation of only \$5,000,000.

Estimated Stock of Money in Turkey.—Gold, \$50,000,000; silver, \$40,000,000; uncovered notes, none.

ROUMANIA.

Coin.—The laws of April 14, 1867, and April 3, 1879, introduced the system of the Latin Union into Roumania, the franc being called the lei, and the centime the bani; but in 1890 a measure was passed by the Roumanian Chamber, abrogating the double standard, and substituting for it the single gold standard with a subsidiary silver coinage, legal tender to the amount of 50 lei or franc. In effecting this change the accumulated silver was sold at 75 per cent. of its face value. The mints are now closed to the coinage of both gold and silver, except on account of the State.

Bank Notes.—The only bank of issue is the National Bank of Roumania. The law of 1890 introducing the single standard into the country limited the issue of its notes in the proportion of 2 $\frac{1}{2}$ paper to 1 of gold. On the 31st of December, 1894, its metallic reserve was 66,819,351 lei, and its circulation 127,735,330 lei.

Estimated Stock of Money in Roumania.—Gold, \$38,600,000; silver, \$10,600,000; uncovered notes, \$11,700,000 being bank notes, \$24,600,000 less metallic reserve, \$12,900,000.

SERVIA.

Coin.—The monetary system of Servia was assimilated to that of the Latin Union by the law of November 11, 1878. The franc is called the dinar, and the centime the

para. It was provided that after the gold pieces had been put in circulation the 5-dinar piece should be legal tender only to the amount of 500 dinars, and the smaller silver pieces only to the amount of 50 dinars, thus making the country practically mono-metallic.

Bank Notes.—The only bank of issue in the country is the National Bank of Servia. Its issue of notes may not exceed three times its metallic reserve. Its circulation, January 1, 1895, was \$25,100,000 dinars, and its metallic reserve, 10,700,000 dinars. These notes which are not at par with gold, constitute the main currency of the country.

Estimated Stock of Money in Servia.—Gold, \$3,000,000; silver, \$1,900,000; uncovered paper, \$2,800,000 being bank notes, \$4,800,000, less metallic reserve, \$2,000,000.

PERSIA.

Silver.—The standard is silver. The monetary unit is the krân, a silver coin now weighing 24 nakhods (71 grains), 0.895 fine. The silver coins are the 5, 2 and 1 krân pieces, and the 10 shâhîs ($\frac{1}{2}$ krân) and 5 shâhîs pieces.

Gold.—The unit is the toman, nominally worth 10 krâns but gold is in circulation only as a commodity, and one gold toman is now worth about 16 krâns. The toman is worth in United States gold coin about \$1.70.

Bank Notes.—Bank notes are issued by the Imperial Bank of Persia, incorporated under an English charter.

CHINA.

China must be classed as a silver-standard country; yet, until within five years, it has had neither gold nor silver coinage. The actual currency coined is the "cash," or "li," made from an alloy of copper, iron and tin. There are several kinds of cash current in the Empire—that coined at Canton weighing 0.08 of a tael, and being valued at 1,350 to the tael. Originally (and nominally still) the cash represented the one-thousandth part of a tael. It now, however, requires, in some parts of the Empire, from 1,600 to 1,800 to make up the value of the tael, so great has been their depreciation.

In all large transactions silver by weight is the medium of exchange; the form chosen being mainly the Spanish or Mexican dollar in the southern part of China, and ingots, called shoes, from some fancied resemblance, in the North. These shoes are assayed and stamped, not by a Government official, but by the hong koo, who derives his authority solely from an arrangement among the native bankers.

The denomination used in indicating the weight of silver, whether ingots or foreign coin, is the tael. This, however, is a weight which varies in different parts of China. In Canton it equals 580 grains Troy (24 taels equal 29 oz. Troy). At Shanghai, where Mexican dollars are current, the tael equals 564.2 grains, and is taken as equivalent to \$1.395 (\$100 equals 71.75 taels). The weight of the Government, or Hai-Kwan, tael is 590.35 grains.

In 1890 China opened a mint at Canton, and has since coined some \$15,000,000 worth of silver. This is mainly in use at the treaty ports.

No statistics as to the amount of bank notes outstanding are obtainable. The number of banks in China is very large. These banks, for the most part, have capitals of a few hundred or a few thousand dollars only, and are under no sort of Government control. Their notes—issued for both "cash" and silver—generally have a circulation limited to the immediate vicinity of the bank, and would not be accepted in another city or another part of the same city.

Estimated Stock of Money in China.—Silver, \$750,000,000.

JAPAN.

Silver.—The real currency of Japan, before the admission of foreigners into the country, consisted of a gold coin, the kobang, and a silver coin, the ichibu, coined at a ratio of about one to four. The Japanese promptly discovered the danger to which this exposed them, and altered the valuation to correspond more nearly with the ratio in other countries.

In 1871 a reorganization of the currency system took place, upon a bimetallic basis. The unit of the silver coinage was the yen of 100 sen., weighing 416 grains Troy, .900 fine; while the gold yen weighed 25.72 grains, 900 fine (\$0.997)—a ratio of 16.173818 to one. As this relation gave to gold a higher value than its market value for the time being, it became more profitable to coin gold than silver, and in the two years 1872 and 1873 43,000,000 yen of gold was coined and only 7,000,000 of silver.

But the fall in the value of silver, which has occurred since 1873, soon left gold the more valuable metal, and as a consequence the gold coins were largely exported to Europe, and the actual standard of Japan has since become silver.

In 1875 the Japanese Government resumed the coinage of silver, this time in the shape of a "trade dollar," weighing 420 grains Troy, 0.900 fine, the exact equivalent of the American trade dollar, and made it in 1878 a legal tender in all public and private transactions; but it did not succeed in driving out the Mexican dollar, which, although weighing only about 416 grains, circulated on a par with the Japanese trade dollar; and the coinage of the trade dollar was discontinued.

In September, 1879, the Japanese silver yen of 416 grains, 0.900 fineness, was declared by the Government to be a legal tender, to be received and paid on a par with the Mexican dollar, and to be accepted at the Government offices in payment of customs dues, land rents, etc. This silver yen of 416 grains is the present monetary unit, having virtually supplanted the Mexican dollar. But it was not until 1883, when the interests on an internal loan, originally payable in silver or gold, was made payable in silver only, that Japan's position as a silver-standard country was finally established.

Government Notes.—Trade among the Japanese is carried on to a large extent either in a Government paper money which is inconvertible, but at present stands at par with silver, or in bank notes.

The Government paper was issued mainly in the years 1872–78, and at one time amounted to over 150,000,000 yen. All has now been retired except 13,404,547 yen

Bank Notes.—These are of two classes : 1. Those issued by the National banks. Their aggregate circulation has been reduced from 34,000,000 yen in 1879 to 22,000,000 yen in 1894. 2. The convertible silver notes of the National Bank of Japan, of which the circulation, December 31, 1894, was 149,813,700 yen.

The Bank and Government currency is now at a par with silver.

Estimated Stock of Money in Japan.—Gold, \$80,000,000 ; silver, \$84,300,000; uncovered notes, \$83,000,000, being Government notes, \$13,000,000, plus bank notes, \$162,000,000, less metallic reserves, \$92,000,000.

MEXICO.

Silver.—Mexico has the single silver standard, though the mints are open to the free coinage of both gold and silver.

The dollar (*el peso*) is the unit of account fixed by article first of the law of November 28, 1867. The mints of the Republic, of which there are eleven, receive for coinage or assay whatever quantities may be presented by individuals, whether of gold or silver. The coinage ratio is 1 to 16½. The coinage charge on either metal is now two per cent.

In the payment of Government dues or taxes no fixed amount in gold or silver is exacted, and payment is admitted in any of the coins in legal circulation.

The Mexican silver dollar circulates not only in Mexico, but, under the name of piaster, is the current coin of several countries in South and Central America, Asia and Africa.

The denominations, weights, fineness, etc., of the coins of Mexico are as follows :

Gold.	Weight in—		Fineness.	Pure gold con- tained.	Value in U. S. gold coin.
	Grams.	Grains.		Grains.	
20 pesos.....	33.841	522.234	.875	456.954	\$19.67.9
10 pesos.....	16.920	261.117	.875	228.477	9.83.9
5 pesos.....	8.460	130.558	.875	114.238	4.91.9
2½ pesos.....	4.230	65.279	.875	57.129	2.45.9
Peso.....	1.692	26.111	.875	22.847	.98.4

Silver.	Weight in—		Fineness.	Pure silver con- tained.	Value com- pared with sil- ver in U. S. silver dollar.
	Grams.	Grains.		Grains.	
Peso.....	27.073	417.790	.902.7	377.170	\$1.016
50 centavos.....	13.536	208.895	.902.7	188.585	.508
25 centavos.....	6.768	104.447	.902.7	94.292	.254
10 centavos.....	2.707	41.779	.902.7	37.717	.102
5 centavos.....	1.352	20.889	.902.7	18.859	.051

CENTRAL AMERICAN STATES.

Accounts in Costa Rica, Guatemala, Honduras, Nicaragua and Salvador, are kept in dollars (piastras, or silver pesos). Though provision is made, as in Mexico, for coinage of gold, the standard is silver and the actual circulation is silver, except as supplemented by paper,

Guatemala has a circulation of about \$3,000,000 bank notes, one-half of which is "uncovered."

In Costa Rica there remains a small and diminishing amount of old Government bills (\$395,142 on December 31, 1894), but the main circulation is that of the Bank of Costa Rica in denominations from \$1 to \$100. Of these notes there were out-standing, at the end of 1894, \$3,079,067—\$2,870,000 of which was uncovered.

Honduras has but one bank, which has the privilege of issuing notes which are legal tender in all payments to Government.

SOUTH AMERICAN STATES.**ARGENTINE REPUBLIC.**

Up to 1881 the Argentine Republic had a very incoherent monetary system, mostly paper of fluctuating value; commercial transactions being, in some measure, carried on in foreign coins. In 1875 an attempt to establish a coinage system failed, owing to the financial and economical condition of the country. In 1881, however, coinage reform was resumed with better chances of success.

The unit of the coinage system is the gold piaster, or peso, of the same weight and fineness as the French 5-franc gold piece. Gold coins are full legal tender. The law restricted the coinage and use of silver, which is legal tender only to the amount of 10 pesos. The country would, therefore, be properly classed as a gold-standard country except for its paper currency.

The actual currency is depreciated paper, fluctuating greatly in value. The amount in circulation at the close of 1894 was \$298,702,723.

The average premium on gold during 1894 was 258 per cent.

BOLIVIA.

Bolivia has the single silver standard. The nominal monetary unit is the boliviano, of the weight and fineness of the French 5-franc piece. But the real monetary unit is the 20-centavo piece, weighing $4\frac{1}{2}$ grams, five of which constitute the boliviano of commerce, thus weighing 20.25 grams fine, in which all bank notes are redeemed, and which is the basis of foreign exchange.

The Bank of Bolivia issues paper money redeemable on demand, and generally on a par with silver. June 30, 1893, the bank notes in circulation amounted to 1,022,121.40 bolivianos. The reserve of the National Bank of Bolivia at the same time was 744,576 bolivianos.

BRAZIL.

In 1849 the gold standard was adopted by Brazil, with coins of 20, 10 and 5 milreis in gold, and smaller coins in silver. The 20-milreis gold piece weighs 276.695 grains, .916 $\frac{2}{3}$ fine (\$10.923). Silver is legal tender to the amount of 20 milreis.

The present money is, however, inconvertible Government notes, dating from 1835, and bank notes, convertible only in Government paper. Notes as small as 500 reis (28 cts.) are issued. All this paper currency is at a heavy and fluctuating discount.

CHILE.

By the law of February 11, 1895, Chile introduced the gold standard, providing that, from and after June 1, 1895, the Government notes previously in circulation should be redeemed in gold. The basis of the new currency is the condor, weighing 11.98207 grams $\frac{1}{2}$ fine. This is "twenty dollars" of the new system (worth about \$7.30). Thus the dollar of the new system is equivalent to about \$0.36 $\frac{1}{2}$. The silver dollar weighs 20 grams, .835 fine, and is equivalent to \$.694 at our coinage rate, or about \$0.36 $\frac{1}{2}$ at the present commercial value of silver. All silver coins are to be legal tender only to the amount of 50 pesos (\$18.25), and are to be redeemed at the Treasury in gold on demand. The coinage of silver is wholly on government account.

COLOMBIA.

The dollar unit is silver, the weight of the 5-franc piece. Legal-tender bills have been issued since 1886 through the national bank, the maximum issue being fixed at \$12,000,000. This paper, supplemented by some subsidiary silver, constitutes the actual currency of the country.

EQUADOR.

Equador since 1884 has had a silver coinage, the unit being the sucre, of the weight and fineness of the 5-franc piece. The standard is now inconvertible paper, depreciated 50 per cent. below silver.

PARAGUAY.

The money of account of Paraguay is the peso, divided into 8 reals; the actual currency is depreciated paper, the value of which is about 20 per cent. below the value of silver.

URUGUAY.

The total monetary circulation in July, 1892, is stated as \$5,000,000, of which \$2,388,000 was paper, issued by two banks. The currency is kept on the gold basis.

VENEZUELA.

The monetary unit is the *bolivar*, corresponding in weight and fineness with the franc. Both gold and silver are in circulation, silver being legal tender only to the amount of \$100. There are only two banks of issue, both private corporations, and their notes are at par with the national currency, which is on a gold basis.

MONETARY SYSTEMS AND APPROXIMATE STOCKS OF MONEY IN THE AGGREGATE AND PER CAPITA IN THE PRINCIPAL COUNTRIES OF THE WORLD.

Countries.	Monetary System.	Ratio between gold and full legal tender silver.	Ratio between gold and limited tender silver.	Population.	Stock of gold.	Stock of Silver.		Uncovered paper.	Per Capita.			
						Full Tender.	Limited tender.		Total.	Gold.	Silver.	Paper.	Total.
1 United States <i>a</i> ..	Gold*	1 to 15.98	1 to 14.95	70,400,000	\$618,100,000	\$548,400,000	\$77,200,000	\$416,700,000	\$8.78	\$8.89	\$5.92	\$23.59
2 United Kingdom.	Gold	.....	1 to 14.28	38,900,000	\$580,000,000	.....	\$115,000,000	£113,400,000	14.91	2.96	2.91	20.78
3 France.	Gold*	1 to 15½	1 to 14.38	38,300,000	\$850,000,000	\$430,000,000	\$427,900,000	<i>f</i> 32,800,000	22.19	12.74	.85	35.78
4 Germany.	Gold	.....	1 to 13.957	51,200,000	\$625,000,000	\$105,000,000	\$110,000,000	\$60,400,000	12.21	4.20	1.18	17.59
5 Belgium.	Gold*	1 to 15½	1 to 14.38	6,300,000	\$55,000,000	\$48,000,000	\$6,900,000	\$65,400,000	8.73	8.71	10.38	27.82
6 Italy.	Gold*	1 to 15½	1 to 14.38	30,700,000	\$98,200,000	\$621,400,000	\$620,000,000	<i>c</i> 172,800,000	3.20	1.35	5.62	10.17
7 Switzerland.	Gold*	1 to 15½	1 to 14.38	3,000,000	\$14,900,000	\$10,000,000	\$5,000,000	<i>f</i> 16,400,000	4.97	5.00	5.47	15.44
8 Greece.	Gold*	1 to 15½	1 to 14.38	2,200,000	\$500,000	\$650,000	\$1,000,000	.....	.23	.68	11.18	12.09
9 Spain.	Gold*	1 to 15½	1 to 14.38	17,500,000	\$40,000,000	\$126,000,000	\$40,000,000	£83,700,000	2.28	9.49	4.78	16.55
10 Portugal.	Gold*	1 to 15½	1 to 14.08	5,100,000	\$38,000,000	.....	\$24,800,000	.....	7.45	4.86	8.98	21.29
11 Roumania.	Gold.	.....	.....	5,800,000	\$38,600,000	.....	\$10,600,000	.....	6.65	1.83	2.02	10.50
12 Servia.	Gold*	.....	.....	2,300,000	\$3,000,000	.....	\$1,900,000	<i>f</i> 2,800,000	1.30	.83	1.22	3.35
13 Austria-Hungary.	Gold*	1 to 15½	1 to 13.69	43,500,000	\$140,000,000	\$80,000,000	\$60,000,000	£204,700,000	3.22	2.76	4.70	10.68
14 Netherlands.	Gold*	1 to 15½	1 to 15	4,700,000	\$29,200,000	\$53,000,000	\$3,900,000	£34,600,000	6.21	12.10	7.36	25.67
15 Norway.	Gold	.....	1 to 14.88	2,000,000	\$7,500,000	.....	\$2,000,000	.....	3.75	1.00	1.90	6.65
16 Sweden.	Gold.	.....	1 to 14.88	4,800,000	\$8,000,000	.....	\$4,800,000	<i>f</i> 17,600,000	1.66	1.00	3.66	6.34
17 Denmark.	Gold.	.....	1 to 14.88	2,300,000	\$14,500,000	.....	\$5,400,000	£5,400,000	6.30	2.35	2.35	11.00
18 Russia.	Silver*	1 to 15½	1 to 12.90	126,000,000	\$480,000,000	.....	\$48,000,000	£539,000,000	3.80	.38	4.28	8.46
19 Turkey.	Silver*	1 to 15½	1 to 15½	22,000,000	\$50,000,000	.....	\$10,000,000	.....	2.27	1.82	.....	4.09
20 Australia.	Gold*	1 to 15½	1 to 14.28	4,700,000	\$115,000,000	.....	\$7,000,000	.....	24.47	1.49	.....	25.96
21 Egypt.	Gold.	.....	1 to 15.68	6,800,000	\$120,000,000	.....	\$15,000,000	.....	17.65	2.20	.....	19.85
22 Mexico.	Silver.	1 to 16½	.....	12,100,000	\$5,000,000	\$55,000,000	.....	.....	.41	4.54	.16	5.11
23 Central American States.	Silver.	1 to 15½	.....	5,600,000	\$500,000	.....	.....	.....	.09	2.14	1.43	3.66
24 South American States <i>e</i> ..	Silver.	1 to 15½	.....	36,000,000	\$40,000,000	.....	.....	.....	1.11	.83	15.28	17.22
25 Japan.	Silver.	1 to 16.18	.....	41,100,000	\$80,000,000	.....	.....	.....	1.95	2.05	2.02	6.02
26 India.	Silver.	1 to 15	.....	296,000,000	.....	.....	.....	.....	.....	3.21	.12	3.33
27 China.	Silver.	.....	.....	360,000,000	.....	.....	.....	.....	.....	2.08	.....	2.08
28 Straits Settlements.	Silver.	.....	.....	3,800,000	.....	.....	.....	.....	.....	.....	.....	.....
29 Canada.	Gold.	.....	1 to 14.28	4,800,000	\$20,000,000	.....	.....	.....	.....	3.26	.....	3.26
30 Cuba.	Gold*	1 to 15½	.....	1,800,000	\$18,000,000	.....	6,500,000	40,000,000	4.17	1.35	8.32	13.84
31 Haiti.	Gold*	1 to 15½	.....	1,000,000	\$3,000,000	.....	.....	.....	10.00	.83	.....	10.83
32 Bulgaria.	Gold*	1 to 15½	1 to 14.38	4,300,000	\$800,000	.....	3,400,000	.....	3.00	2.90	4.20	10.10
Total.	.....	.....	.....	.....	\$4,086,800,000	\$3,439,300,000	\$631,900,000	\$2,564,800,000	.....	.....	.....	.....

* In these countries silver is a legal tender, but coined only to a limited extent and for government account, by which means the gold standard is maintained. In Germany and Austria-Hungary some old legal tender silver is still current. § Actual standard, depreciated paper.

a November 1, 1895; all other countries, January 1, 1895. *c* Information furnished through United States representatives.

d Haupt. *e* Except Venezuela and Chili. *f* Bulletin de Statistique.

GOLD PAR EQUIVALENTS.*

The Equivalent of One.	Florin.								Milreis.		Piastre.		
	Sovereign.	Franc.	Mark.	Austro-Hungarian.	Dutch.	Rouble.	Escudo.	Kroner.	Portuguese.	Brazilian.	Tunis.	Egypt.	Turkey.
Sovereign.....	0.0396	0.049	0.099	0.0837	0.164	0.103	0.0551	0.222	0.1123	0.024	0.01025	0.0090	
Franc.....	25.22	1.24	2.500	2.086	4.133	2.600	1.3889	5.5997	2.8306	0.6051	0.2582	0.2277	
Mark.....	20.43	0.81	2.03	1.6898	3.35	2.106	1.125	4.5357	2.2928	0.4901	0.2091	0.1844	
Florin, A. H.....	10.09	0.40	0.494	0.8344	1.653	1.04	0.5556	2.2399	1.1322	0.2425	0.1033	0.0910	
“ Dutch.....	12.0909	0.479	0.592	1.198	1.98	1.246	0.6658	2.6843	1.3569	0.2900	0.1248	0.1091	
Rouble.....	6.103	0.242	0.299	0.605	0.5047	0.629	0.3361	1.3551	0.6849	0.1464	0.0624	0.0551	
Escudo.....	9.70	0.385	0.475	0.962	0.8023	1.59	0.5341	2.1538	1.0887	0.2328	0.0977	0.0876	
Kroner.....	18.16	0.72	0.888	1.800	1.5021	2.975	1.872	4.0317	2.038	0.4357	0.1859	0.1639	
Milreis, P.....	4.5041	0.179	0.225	0.447	0.3725	0.738	0.4643	0.2481	0.5552	0.1081	0.0461	0.0407	
“ B.....	8.9104	0.3533	0.436	0.883	0.7369	1.46	0.919	0.4905	1.9712	0.2188	0.913	0.0804	
Dollar, U.S.A.....	4.867	0.1929	0.238	0.4824	0.4025	0.7999	0.5017	0.268	1.080	0.5461	0.1167	0.0498	0.0439
“ Mexico.....	4.95	0.1962	0.242	0.491	0.4092	0.8106	0.51	0.2724	1.0384	0.5552	0.1187	0.0506	0.0446
“ A. R.....	5.044	0.2	0.247	0.500	0.4217	0.8266	0.52	0.2778	1.12	0.5661	0.1210	0.0516	0.0455
“ Chili.....	5.334	0.212	0.262	0.528	0.4412	0.874	0.55	0.2937	1.1317	0.5986	0.1279	0.0546	0.0481
“ Uruguay.....	4.69	0.186	0.23	0.465	0.3878	0.7683	0.4834	0.2582	1.0411	0.5262	0.1125	0.0480	0.0423
“ Ven.....	5.044	0.2	0.247	0.500	0.4172	0.827	0.52	0.2777	1.12	0.5661	0.1210	0.0516	0.0455
“ Bolivia.....	5.215	0.207	0.255	0.517	0.4313	0.855	0.538	0.2871	1.1578	0.5853	0.1251	0.0534	0.0471
“ Ecuador.....	5.125	0.203	0.251	0.508	0.4239	0.839	0.5283	0.2822	1.1377	0.5752	0.1229	0.0525	0.0463
“ Nfld.....	4.8	0.1903	0.235	0.476	0.397	0.7861	0.4949	0.2644	1.0658	0.5388	0.1152	0.0491	0.0433
“ P. I.....	4.948	0.1962	0.242	0.491	0.4092	0.817	0.5109	0.2726	1.0986	0.5553	0.1189	0.0507	0.0447
Yen.....	4.89	0.194	0.239	0.484	0.4037	0.800	0.503	0.2688	1.0838	0.5478	0.1171	0.0499	0.0447
Toman.....	2.124	0.0843	0.104	0.210	0.1757	0.3461	0.219	0.117	0.4717	0.2384	0.0509	0.0217	0.0192
Rupee.....	10.273	0.4073	0.503	1.018	0.85	1.683	1.06	0.5657	2.2808	1.153	0.2465	0.1052	0.0927
Piastre, Tunis.....	41.68	1.650	2.04	4.132	3.4471	6.829	4.26	2.29	9.2539	4.6408	0.4266	0.3762	
“ Egypt.....	97.69	3.87	4.782	9.683	8.0985	16.00	10.071	5.38	21.689	10.964	2.3439	0.8819	
“ Turkey.....	110.71	4.392	5.423	10.98	9.1571	18.15	11.42	6.1003	24.595	12.4375	2.6578	1.134	0.8819

The Equivalent of One.	Dollar.										Yen.	Toman.	Rupee.
	U. S. A.	Mexican.	Argentine Republic.	Chilian.	Uruguay.	Venezuela.	Bolivia.	Ecuador.	Newfound-land.	Phillipine Islands.			
Sovereign.....	0.2055	0.2021	0.1982	0.1875	0.2133	0.1982	0.1917	0.1951	0.2083	0.2029	0.2048	0.4707	0.0974
Franc.....	5.1826	5.098	5.0000	4.7284	5.3785	5.0000	4.8363	4.9214	5.2540	5.0971	5.1667	11.8720	2.4552
Mark.....	4.1979	4.1294	4.05	3.9603	4.3566	4.05	3.9174	3.9863	4.2557	4.1287	4.1850	9.6161	1.9887
Florin, A. H.....	2.074	2.0392	1.9999	1.8918	2.1514	2.00	1.9345	1.9685	2.1016	2.0388	2.0667	4.7488	0.9821
“ Dutch.....	2.4845	2.444	2.392	2.2667	2.5784	2.3969	2.3185	2.3592	2.5187	2.4435	2.4768	5.6912	1.1874
Rouble.....	1.254	1.2337	1.21	1.1442	1.3015	1.2099	1.1703	1.1909	1.2714	1.2335	1.2503	2.8728	0.5941
Escudo.....	1.993	1.968	1.9229	1.8186	2.0686	1.923	1.8601	1.8928	2.0307	1.9605	1.9871	4.5661	0.9443
Kroner.....	3.7319	3.6706	3.6000	3.4043	3.8725	3.600	3.4822	3.5434	3.7827	3.6700	3.720	8.5477	1.7677
Milreis, P.....	0.9255	0.9104	0.8928	0.8444	0.9605	0.8929	0.8637	0.8788	0.9382	0.9143	0.9227	2.1201	0.4000
“ B.....	1.831	1.81	1.7663	1.6704	1.9001	1.7856	1.7086	1.7386	1.8561	1.8007	1.8253	4.1942	0.8671
Dollar, U.S.A.....	0.9837	0.9837	0.9645	0.9124	1.0378	0.9648	0.9332	0.9496	1.0137	0.9835	0.9969	2.2908	0.4737
“ Mexico.....	1.0165	0.9807	0.9275	1.055	0.9808	0.9487	0.9653	1.0305	0.9999	1.0134	2.3287	0.4816	
“ A. R.....	1.0366	1.02	0.9458	1.0578	1.00006	0.9673	0.9843	1.0508	1.0195	1.0334	2.3745	0.4911	
“ Chili.....	1.0961	1.078	1.0574	1.1375	1.0574	1.0228	1.0408	1.1111	1.0780	1.0927	2.5107	0.5194	
“ Uruguay.....	0.9636	0.9479	0.9295	0.8971	0.9296	0.8992	0.9510	0.9768	0.9477	0.9606	2.2073	0.4564	
“ Ven.....	1.0365	1.0916	0.9999	0.9457	1.0757	0.9673	0.9843	1.0508	1.0194	1.0333	2.3744	0.4900	
“ Bolivia.....	1.076	1.0541	1.0338	0.9777	1.1121	1.0338	0.9600	1.0130	1.0864	1.0503	1.0683	2.4548	0.5077
“ Ecuador.....	1.0539	1.037	1.016	0.9608	1.0929	1.0114	0.9600	1.0676	1.0357	1.0496	2.4123	0.4989	
“ Nfld.....	0.9864	0.9703	0.9516	0.9	1.0203	0.9517	0.9205	0.9367	0.9701	0.9834	2.2979	0.4673	
“ P. I.....	1.0168	1.0002	0.9809	0.9277	1.0552	0.9809	0.9488	0.9655	1.0308	1.0136	2.3291	0.4817	
Yen.....	1.003	0.9867	0.9677	0.9152	1.041	0.9677	0.9361	0.9525	1.0165	0.9865	2.2978	0.4752	
Toman.....	0.4366	0.4294	0.4211	0.3983	0.4528	0.4209	0.4074	0.4145	0.4435	0.4293	0.4352	0.2068	
Rupee.....	2.1109	2.0765	2.04	1.926	2.1907	2.0365	1.9700	2.0045	2.1400	2.0760	2.1044	4.8356	
Piastre, Tunis.....	8.5646	8.425	8.2623	7.14	8.8883	8.2628	7.9923	8.1329	8.6825	8.4234	8.5383	19.619	4.0573
“ Egypt.....	20.674	19.832	19.366	18.315	20.8332	19.367	18.7331	19.0625	20.394	19.7434	20.059	45.9933	9.5100
“ Turkey.....	22.763	22.3928	21.9598	20.7685	23.6237	21.9611	21.2424	21.6158	23.0765	22.388	22.6932	52.144	10.7835

* From *The World's Metal Monetary Systems*, by John Henry Norman, 1892.

WEIGHTS OF GOLD AND SILVER COINS.*

Table of weights of gold and silver coins on issue from the mints. These coins are, or should be, current in the World's present twenty-nine monetary systems. Col. I.—Pure gold or pure silver in 1000 parts of metal. Col. II.—Proportion of silver to 1 of gold between the weights of both indicated by one money of account under mintage regulations. Col. III.—Names of the coins. Col. IV.—Total weight and weight of pure gold (G.) and pure silver (S.) in grams. Col. V.—Total weight and weight of pure gold and pure silver in Troy grains.

Col. I.	Col. II.	Col. III.	Col. IV.—Grams.		Col. V.—Grains.	
			Total Weight	Weight of Pure Metal.	Total Weight	Weight of Pure Metal.
875.	15.	Egyptian pound.....	G 8.5000	7.4375	131.1749	114.7781
900.	.....	10 piasters.....	S 12.5000	11.25000	192.9043	173.6139
916.667	14.287	British pound.....	G 7.9881	7.3224	123.2740	113.0016
925.	.....	1 shilling.....	S 5.6552	5.2310	87.2250	80.72937
916.667	15.1	Turkish pound.....	G 7.216	6.6147	111.3598	102.0804
830.	.....	20 piasters.....	S 24.055	19.9650	371.2313	308.1168
916.667	14.09	Portuguese 5-milreis.....	G 8.8675	8.1285	136.8460	125.4425
916.667	.....	5 testoons.....	S 12.5000	11.4583	192.9043	176.8284
917.	14.4	Uruguay 5-peso.....	G 8.4850	7.7807	130.9435	120.0750
900.	15.5	1 peso.....	S 25.0000	22.5000	385.2087	347.2278
916.667	14.3	Newfoundland 2-dollars.....	G 3.3280	3.0507	51.35886	47.07895
925.	.....	50 cents.....	S 11.7820	10.8983	181.8234	168.1871
900.	16.	United States 5-dollars.....	G 8.3591	7.5232	129.0000	116.09985
900.	.....	1 dollar.....	S 26.7290	24.0567	412.5000	371.2514
900.	15.5	Argentine Republic 5-dollars..	G 8.0645	7.25805	124.5415	112.00875
900.	.....	1 dollar or peso.....	S 25.0000	22.5000	385.2087	347.2278
.....	.....	Cuba 1-peso.....	G 1.3933	.....	.....	21.5019
900.	16.39	Chili 5-pesos.....	G 7.6265	6.8639	117.6941	105.92533
900.	.....	1 peso.....	S 25.0000	22.5000	385.2087	347.2278
916.667	14.22	Brazil milreis.....	G 8.9648	8.2178	138.34793	126.81996
916.667	.....	2 milreis.....	S 25.5000	23.3750	393.5249	360.7311
983.	15.6	Netherlands 10-guilders.....	G 6.729	6.0561	103.84428	93.45985
945.	.....	1 guilder or florin.....	S 10.0000	9.4500	154.3235	145.8357
900.	14.88	Danish 20-crowns.....	G 8.9606	8.0645	138.2831	124.45418
800.	.....	2 crowns.....	S 15.0000	12.0000	231.4852	185.1882
900.	13.95	German 20-marks.....	G 7.965	7.16846	122.917896	110.626801
900.	.....	1 mark.....	S 5.5555	5.0000	85.7359	77.1617
900.	15.5	French 20-francs.....	G 6.4516	5.8065	99.56334	89.60701
900.	.....	1 franc.....	S 5.0000	4.5000	77.0417	69.4455
A weight	No coin	Shanghai tacl.....	S 33.2457	.....	.....	513.0607
900.	.....	Trade dollar.....	S 27.2156	24.4940	420.0000	378.0000
902.778	16.	Mexican dollar.....	S 27.0643	24.4330	417.6657	377.0586
875.	.....	16 pesos.....	G 27.0643	23.6813	417.6657	365.45753
.....	.....	Java dollar or 2½-guilders....	S 28.0785	24.3737	433.3172	376.1434
900.	16.173	Japan 1-yen.....	S 26.9564	24.2607	416.0000	374.4000
.....	.....	5 yens.....	G 8.33335	7.5000	128.60317	115.74262
900.	15.79	Philippine dollar.....	S 25.9600	23.3640	400.6253	360.5614
875.	.....	1 peso.....	G 1.6915	1.4796	26.0961	22.83705
900.	15.5	Peruvian sol.....	S 25.0000	22.5000	385.2087	347.2278
.....	.....	10 sols.....	G 16.1290	14.5161	248.90837	221.01753
868.056	15.	Tripoli mahbub.....	S 20.2957	.....	.....	318.2101
916.667	.....	Russian rouble.....	S 19.9957	17.9961	308.5806	277.7221
910.	.....	5 roubles.....	G 6.5440	5.9987	101.0000	92.57403
900.	15.3	Siamese tical.....	S 15.1805	13.3670	234.2711	206.2850
900.	.....	Austrian florin.....	S 12.3457	11.1111	190.5231	171.4703
916.667	15.	8 florins.....	G 6.4516	5.8065	99.563349	89.60701
916.667	.....	Indian rupee.....	S 11.6638	10.6918	180.0000	165.0000
900.	13.37	15 rupees.....	G 11.6638	10.6918	180.0000	165.0000
900.	.....	Persian kran.....	S 4.5861	4.0843	70.7740	63.0316
900.	15.86	1 thoman.....	G 3.4667	3.4321	53.49032	52.96536
900.	.....	Tunis 1-piaster.....	S 3.0970	2.7875	47.7939	43.0145
900.	50 piasters.....	G 9.7600	8.7840	150.61973	125.55776

* From *The World's Metal Monetary Systems*, by John Henry Norman, 1892.

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OUR MONEY—AS IT IS.

J. H. CUNTZ.

	PAGE.
INTRODUCTION.....	99
GOLD COIN.....	100
GOLD CERTIFICATES.....	101
UNITED STATES NOTES (GREENBACKS).....	101
CURRENCY CERTIFICATES.....	104
NATIONAL BANK NOTES.....	104
SILVER DOLLARS.....	107
SILVER CERTIFICATES.....	107
TREASURY NOTES OF 1890.....	108
REDEMPTION OF TREASURY NOTES AND GREENBACKS.....	109
SUBSIDIARY SILVER.....	111
MINOR COIN.....	111
BULLION FOR OUR PRESENT COINS.....	112
STATISTICAL TABLES.....	112

OUR MONEY—AS IT IS.

INTRODUCTION.

Our currency system, as it exists to-day, is like one of those old country mansions which has been so altered in the course of generations that of the original structure but little can be recognized. Here a wing has been added, and there a window put in : here a roof raised, and there a chimney torn down; each change being made in obedience to the fashion of the time or to suit the taste and convenience of the temporary owner, without much regard to its effect upon the rest of the building.

The result may be picturesque, but it is hardly consistent and harmonious, and a lack of symmetry, which is all very well in a country house, is apt to make a currency system confusing, to say the least.

As money is a thing which affects every member of a community, and from whose influence none can escape, it is of particular importance that the laws and customs which regulate the money of a country should be clearly understood by all, so that possible defects in the system may be quickly recognized and corrections intelligently applied.

Now, as a means to this clearer understanding of the currency system of the United States, an attempt is here made to separately examine our different kinds of money and briefly trace their history, showing the position occupied by each and the relation of the various parts to each other.

At present there is a strong feeling that changes ought to be made in our currency system ; but before saying what our money *should be*, we must know what it *is*.

NOTE.—For the information contained in the following pages we are especially indebted to United States Government Reports and to M. L. Muhleman's "Money of the United States."

The official statements of the general stock of currency which are issued from time to time by the Treasury Department are in the following form :

Statement Showing the Amounts of Gold and Silver Coins and Certificates, United States Notes, and National Bank Notes in Circulation March 1, 1896.

	General Stock, Coined or Issued.	In Treasury.	Amount in Circulation March 1, 1896.
Gold coin.....	\$586,168,106 00	\$140,874,515 00	\$445,293,591 00
Standard silver dollars.....	424,789,629 00	369,273 688 00	55,515,941 00
Subsidiary silver.....	78,564,547 00	14,820,486 00	63,744,061 00
Gold certificates.....	44,381,489 00	651,470 00	43,733,019 00
Silver certificates.....	344,377,504 00	11,831,561 00	332,545,943 00
Treasury notes, Act July 14, 1890.....	136,719,280 00	30,644,730 00	106,074,550 00
United States notes.....	346,681,016 00	106,222,443 00	240,458,573 00
Currency certificates, Act June 8, 1872.....	33,070,000 00	245,000 00	32,825,000 00
National Bank notes.....	217,181,917 00	8,630,538 00	208,551,379 00
Totals.....	\$2,211,936,488 00	\$683,194,431 00	\$1,528,742,057 00

In this are included all the kinds of money which at present circulate in the United States, except the nickel five-cent piece and the bronze cent, which are called "minor coins."

It will be well to treat these elements, in general, in historical order, except that the subsidiary or fractional silver and the minor coins, which are legal tender only in limited amounts and used in the lesser operations of trade, will be considered last.

The order, then, is as follows :

1. Gold coin.
2. Gold certificates.
3. United States notes, or "Greenbacks."
4. Currency certificates.
5. National Bank notes.
6. Silver dollars.
7. Silver certificates.
8. Treasury notes of 1890.
9. Subsidiary silver.
10. Minor coins.

As frequent reference is made to the weight and material of the different coins, it should be remembered that in measuring the quantity of the precious metals troy weight is used, in which

24 grains = 1 pennyweight.

20 pennyweights, or 480 grains = 1 ounce.

12 ounces, or 5,760 grains = 1 pound.

(The ordinary "Avoirdupois" pound contains 7,000 grains).

"Fine" gold or silver is the pure metal, and by "fineness" is meant the proportion of pure metal in the coin. Thus, ".9 fine" means that nine-tenths, by weight, of the coin is pure gold or silver and one-tenth "alloy," which is baser metal added for the purpose of making the coin harder and more durable.

"Standard" gold or silver is the precious metal mixed with alloy.

"Specie" means coin, or, in a narrower sense, gold and silver coin.

"Bullion" is uncoined gold or silver, in bars or in mass.

Currency is said to be made a "legal tender" when it is declared by government enactment to be lawful money for the payment of all debts and dues.

A "token" coin is one whose intrinsic value is not equal to its nominal value and which is legal tender in only limited amounts.

GOLD COIN.

The weight and fineness of our gold coins have been unchanged since 1837, but the act of that year made such a slight alteration in the one of June 28, 1834, that the latter is given as the foundation of our present gold coinage :

"*Be it enacted, etc.,* That the gold coins of the United States shall contain the following quantities of metal, that is to say : each eagle shall contain 232 grains of pure gold and 258 grains of standard gold ; each half eagle 116 grains of pure gold and 129 grains of standard gold ; each quarter eagle shall contain 58 grains of pure gold and 64½ grains of standard gold ; every such eagle shall be of the value of ten dollars ; every such half eagle shall be of the value of five dollars ; and every such quarter eagle shall be of the value of two dollars and fifty cents ; and the said gold coins shall be receivable in all payments when of full weight according to their respective values ; and when of less than full weight, at less values, proportioned to their respective actual weights."

By this act the amount of pure gold in an eagle (\$10) was fixed at 232 grains, and the "standard" gold at 258 grains. The fineness, therefore, was $\frac{232}{258}$ or .899225.

The section of the Act of January 18, 1837, which altered this was as follows :

“ SEC. 8. *And be it further enacted*, That the standard for both gold and silver coins of the United States shall hereafter be such, that of one thousand parts by weight, nine hundred shall be of pure metal and one hundred of alloy.”

This merely changed the fineness a trifle to .900, and as the weight of standard gold in an eagle was still 258 grains, the pure gold now weighed nine-tenths of 258, or 232.2 grains. Since then the gold eagle, half-eagle and quarter-eagle have remained unchanged in weight and fineness to the present day.

By the Act of March 3, 1849, the coinage of the double-eagle, or twenty-dollar gold piece, and the one-dollar gold piece was authorized ; and by that of February 21, 1853, a three-dollar piece—all of the same fineness and proportional weight as the coins previously authorized.

The general coinage revision Act of February 12, 1873, and the Revised Statutes of 1874, made no changes in the legislation respecting gold coinage ; but by the act of September 26, 1890, the coinage of the three-dollar gold piece and the one-dollar gold piece was discontinued ; so that now our gold coins are of the denominations of twenty, ten, five and two-and-a-half dollars. They are a legal tender in all payments in unlimited amounts, when not below the standard weight and limit of tolerance.* Since January 14, 1875, no charge has been made for converting standard gold bullion into coin. The stock of gold coin in the country on March 1, 1896, was estimated at \$586,168,106.

GOLD CERTIFICATES.

As gold coin is heavy and inconvenient to handle, particularly in large amounts, the Secretary of the Treasury is authorized to issue certificates of deposit to persons bringing gold coin in sums of not less than twenty dollars to the U. S. Treasury or sub-treasuries. These certificates are essentially receipts which show that so many dollars in gold coin have been deposited with the Treasurer of the United States, and that the holder of the certificate is entitled to receive them on demand. Gold certificates are now issued under the Act of July 12, 1882, section 12, as follows :

“ The Secretary of the Treasury is authorized and directed to receive deposits of gold coin with the Treasurer or assistant treasurers of the United States, in sums not less than twenty dollars, and to issue certificates therefor in denominations of not less than twenty dollars each, corresponding with the denominations of United States notes. The coin deposited for or representing the certificates of deposit shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued ; and such certificates, as also silver certificates, when held by any national banking association, shall be counted as part of its lawful reserve ; and no national banking association shall be a member of any clearing-house in which such certificates shall not be receivable in the settlement of the clearing-house balances : *Provided*, That the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars.”

Certificates payable to bearer are issued in denominations of \$20, \$50, \$100, \$500, \$1,000, \$5,000 and \$10,000. These certificates were issued payable “to bearer” only, until the year 1888, when an issue of certificates payable “to order” was authorized by the Secretary of the Treasury, but in denominations of \$5,000 and \$10,000 only.†

Special attention is directed to the last clause of the act just quoted, which stops the issue of gold certificates under certain conditions. This will be referred to again when United States notes are being considered.

The amount of gold certificates in circulation on March 1, 1896, was \$43,733,019.

UNITED STATES NOTES, COMMONLY CALLED “GREENBACKS.”

At the beginning of the Civil War, in 1861, the currency of the United States consisted of gold coin, subsidiary silver, minor coin and State bank notes.

The amount of gold coin in the United States on July 1, 1861, was about \$250,000,000 and of State bank-notes about \$202,000,000.

With the exception of the State bank-note issues, which in some sections left much to be desired, the money of the country was in a satisfactory condition while peace lasted ; but the whole system was not fitted to stand the strain of a great war. The Financial Department of the Government was also poorly prepared to carry on the severe struggle before it. In December, 1861, the report of Mr. Chase, Secretary of the Treasury, had been submitted to Congress—suggesting an issue of United States notes, but recommending as preferable a system of bank circulation based on United States bonds.

This report was referred to the Committee on Ways and Means in the House of Representatives, where one of the members (E. G. Spaulding) drew a bill providing for an issue of Treasury demand notes to be a “legal-tender in payment of all debts, public

* The “tolerance” mentioned here means the weight which a coin can lose without ceasing to be receivable by the Government at its nominal value. † Muhleman, “Money of the United States,”

and private." This bill was strongly opposed in the Committee, but by a bare majority of one it was reported favorably to the House. Here it provoked a long discussion; and a contemplation of the debate in the House as well as in the Senate shows with what serious misgiving both the wisdom and propriety of this bill were regarded.

The Secretary of the Treasury wrote to Mr. Spaulding, urging the passage of the bill on the ground of necessity, and pleading the pressing needs of the Treasury.

Finally the bill was passed by Congress in a form the essential parts of which are here given :

Act of February 25, 1862—An act to authorize the issue of United States Notes, and for the redemption or funding the floating debt of the United States.

"Be it enacted, etc., That the Secretary of the Treasury is hereby authorized to issue, on the credit of the United States, \$150,000,000 of the United States notes, not bearing interest, payable to bearer, at the Treasury of the United States, and of such denominations as he may deem expedient, not less than five dollars each : *Provided, however,* That \$50,000,000 of said notes shall be in lieu of the demand Treasury notes authorized to be issued by the act of July 17, 1861; which said demand notes shall be taken up as rapidly as practicable, and the notes herein provided for substituted for them ; *And provided further,* That the amount of the two kinds of notes together shall at no time exceed the sum of \$150,000,000, and such notes herein authorized shall be receivable in payment of all taxes, internal duties, excises, debts and demands of every kind due to the United States, except duties on imports, and of all claims and demands against the United States of every kind whatsoever, except for interest upon bonds and notes, which shall be paid in coin, and *shall also be lawful money and a legal tender in payment of all debts public and private within the United States*, except duties on imports and interest as aforesaid. And any holders of said United States notes depositing any sum not less than fifty dollars or some multiple of fifty dollars, with the Treasurer of the United States, or either of the assistant treasurers, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount of bonds of the United States, coupon or registered, as may by said holder be desired, bearing interest at the rate of six per centum per annum payable semi-annually, and redeemable at the pleasure of the United States after five years, and payable twenty years from the date thereof. And such United States notes shall be received the same as coin, at their par value, in payment for any loans that may be hereafter sold or negotiated by the Secretary of the Treasury, and may be reissued from time to time as the exigencies of the public interest shall require."

As has been said before, this act was not passed without a severe struggle. There was serious question both as to the constitutionality and expediency of the measure. But the crying needs of the Treasury and the feeling that anything was justifiable which would help to bring the war to a successful termination finally managed to put it through. It was, however, regarded as essentially a war measure, and it was hoped and believed that when the war ended these notes would be retired as fast as possible.

But only a very few months had gone by before another act was passed, authorizing the issue of another \$150,000,000 of these notes which were, and still are, popularly known as "greenbacks."

By this Act of July 11, 1862, the Secretary of the Treasury is "authorized to issue, in addition to the amounts heretofore authorized, on the credit of the United States, \$150,000,000 of United States notes, not bearing interest, payable to bearer at the Treasury of the United States, and of such denominations as he may deem expedient : *Provided*, that no notes shall be issued for the fractional part of a dollar, and not more than thirty-five millions shall be of lower denominations than five dollars ; and such notes * * * shall be lawful money and a legal tender in payment of all debts, public and private, within the United States, except duties on imports and interest, as aforesaid."

The preceding act had forbidden the issue of notes less than \$5, but this one allowed not more than \$35,000,000 in lower denominations.

Early in the next year the Treasury's funds had again run so low that Congress authorized the issue of a third batch of \$150,000,000 of greenbacks, by the Act of March 3, 1863.

So \$450,000,000 of these United States legal-tender notes were authorized altogether. The greatest amount outstanding at any one time was on January 3, 1864, when it reached \$449,338,902.

By the Act of June 30, 1864, it was provided that the total amount of United State notes, issued or to be issued, should never exceed \$400,000,000 "and such additional sum, not exceeding \$50,000,000, as may be temporarily required for the redemption of temporary loan."

By the Act of April 12, 1866, the Secretary of the Treasury, then Mr. McCulloch, was authorized to redeem United States notes by exchanging them for bonds, "provided, that of United States notes not more than \$10,000,000, may be retired and cancelled within six months from the passage of this act, and thereafter not more than \$4,000,000 in any one month." The amount outstanding had been reduced to \$356,000,000, when,

by the Act of February 4, 1868, which became a law without the President's approval, the retirement of greenbacks was suspended.

On the 18th of March, 1869, under the title "An act to strengthen the public credit," it was declared "that the faith of the United States is solemnly pledged to the payment in coin or its equivalent of all the obligations of the United States," except in cases where the law authorizing the issue of any such obligation had expressly provided that the same may be paid in lawful money or other currency than gold and silver. And by the same act a pledge was given "to make provision at the earliest practicable period for the redemption of the United States notes in coin."

During the panic of 1873, the Treasury issued about \$26,000,000 of greenbacks, which, having been redeemed under the earlier acts, had never been cancelled and destroyed, bringing the total amount up to something over \$382,000,000, and in the spring of 1874 a bill passed Congress authorizing an increase of greenbacks to \$400,000,000. But this was vetoed by President Grant, and by the Act of June 20, 1874, the amount was fixed at \$382,000,000.

The Act of January 14, 1875, entitled "An Act to provide for the resumption of specie payments," after removing the previously existing limitations of the aggregate amount of national bank notes, and providing for the organization of new banking associations, further provides, that "Whenever, and so often, as circulating notes shall be issued to any such banking association, so increasing its capital or circulating notes, or so newly organized as aforesaid, it shall be the duty of the Secretary of the Treasury to redeem the legal-tender United States notes in excess only of \$300,000,000, to the amount of eighty per centum of the sum of national bank notes so issued to any such banking association as aforesaid, and to continue such redemption as such circulating notes are issued until there shall be outstanding the sum of \$300,000,000 of such legal-tender United States notes and no more. And on and after the first day of January, Anno Domini, 1879, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding, on their presentation for redemption at the office of the Assistant Treasurer of the United States in the City of New York,* in sums of not less than \$50. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time, in the Treasury not otherwise appropriated, and to issue, sell and dispose of, at not less than par. in coin, either of the descriptions of bonds of the United States described in the act of Congress approved July 14, 1870, entitled 'An act to authorize the refunding of the national debt,' with like qualities, privileges and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds thereof for the purposes aforesaid. And all provisions of law inconsistent with the provisions of this act are hereby repealed."

The Secretary of the Treasury, in compliance with this act, accumulated during 1877 and 1878 some \$92,000,000 in gold by the sale of 4 per cent. and 4½ per cent. bonds, and about \$41,000,000, additional from the surplus revenues. Thus fortified, the Treasury was able to carry out the provisions of the "Resumption Act," requiring the redemption of the United States notes in coin, on and after January 1, 1879, and upon that date the greenbacks passed almost unnoticed from the ranks of irredeemable paper currency to the position of a convertible currency. Since January 1, 1879, the notes have *always* been redeemed in gold coin whenever presented at the Sub-treasury in New York, and since March 3, 1887, at San Francisco as well.

But, in the meantime, the retirement of United States notes in excess of \$300,000,000 went on until it was forbidden by the following Act of May 31, 1878:

"*Be it enacted, etc.,* That from and after the passage of this act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes. And when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, cancelled or destroyed, *but they shall be reissued and paid out again and kept in circulation: Provided,* That nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law.

"All acts and parts of acts in conflict herewith are hereby repealed."

On that day the amount outstanding was \$346,681,016, and it has remained at that figure ever since.

A permanent gold fund for the redemption of United States notes was indirectly established by section 12 of the Act of July 12, 1882, which provided "that the Secretary of the Treasury shall suspend the issue of gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below \$100,000,000."

Thus is presented a brief account of the legislation concerning United States legal-tender notes, commonly called greenbacks.

At the time of the passage of the first law authorizing their issue, February 25, 1862, there was grave doubt as to their constitutionality, and that doubt still exists to-day.

* By the Act of March 3, 1887, it was provided that notes might also be redeemed at San Francisco.

They were issued, in the first place, avowedly as a "war measure—a measure of necessity and not of choice," in the words of their advocates in Congress, and it was contended that the bill authorizing them was "a necessary means for carrying into execution the powers granted to Congress by the Constitution to 'raise and support armies' and 'to provide and maintain a navy.'"

The question as to the power of the Government to make its notes legal tender got into the courts and finally reached the United States Supreme Court, which, in December, 1869, decided that the legal-tender provision was unconstitutional, so far as it applied to debts contracted *before* the authorizing Act of February 25, 1862. Among the majority handing down this decision was Chief Justice Chase, who, while Secretary of the Treasury in 1862, had urged the issue of these notes.

The matter again came before the Supreme Court, the membership of which had been altered in the meantime by the appointment of new Justices, some to fill vacancies caused by death and some owing to an increase which was made in their aggregate number, and in January, 1872, the former decision was reversed and the legal-tender laws held to be constitutional as respects contracts made either before or after their passage. The Supreme Court, by a subsequent decision, in March, 1884, held that Congress could authorize the reissue of these legal-tender notes after their redemption.

These decisions, however, did not settle all doubts by any means, and the question may still be regarded as an open one.

The Act of May 31, 1878, prevents the Secretary of the Treasury from permanently retiring any of these greenbacks, and whenever they are "received into the Treasury from any source whatever," forces him to reissue them in payment for Government expenses, and so they constitute a never-ending debt, which must be redeemed only to be incurred again.

CURRENCY CERTIFICATES.

In order to relieve the banks of the trouble of taking care of a quantity of small greenbacks, it was provided by the Act of June 8, 1872, that :

"Secs. 1 and 2—The Secretary of the Treasury may receive United States notes on deposit, without interest, from any national banking association, in sums of not less than \$10,000, and issue certificates therefor in such form as he may prescribe, in denominations of not less than \$5,000, and payable on demand in United States notes at the place where the deposits were made. The notes so deposited shall not be counted as part of the lawful money reserve of the association ; but the certificates issued therefor may be counted as part of its lawful money reserve, and may be accepted in the settlement of clearing-house balances at the places where the deposits therefor were made.

Sec. 3—The power conferred on the Secretary of the Treasury by the preceding section shall not be exercised so as to create any expansion or contraction of the currency. And United States notes, for which certificates are issued under that section, or other United States notes of like amount, shall be held as special deposits in the Treasury, and used only for the redemption of such certificates."

These certificates are used by the banks for the sake of convenience, and on account of their large denominations and the fact that they are payable to order naturally do not enter into the daily transactions of the people.

They are now issued only in denominations of \$10,000. They are not a legal-tender. The amount in circulation on March 1, 1896, was \$32,825,000.

NATIONAL BANK NOTES.

After the charter of the Second Bank of the United States had expired in 1836, circulating notes were for many years issued only by banks chartered by the several States, until the establishment of the national banking system in 1863 and 1864.

The credit of the United States had been so impaired by the continuance of the Civil War, that it became extremely difficult to dispose of Government bonds, and it was largely with a view to creating a demand for them that laws were passed providing for the establishment of "national banking associations," which might issue circulating notes "secured by a pledge of United States bonds."

The first of these laws was that of February 25, 1863, but being found defective, it was superseded by the Act of June 3, 1864, which is the basis of our national banking system, and is known at the "National Bank Act."

Changes have been made from time to time, but the essential features of the system, as it exists to-day, are the following :

ORGANIZATION AND CAPITAL.

National Banking Associations may be formed, for a period of twenty years, by any number of persons not less than five. No bank can be organized with a less capital than \$100,000, except in places of not above 6,000 population, where banks of \$50,000 capital are permitted. In cities of above 50,000 inhabitants, \$200,000 capital is required. One-half the capital must be paid in before business is commenced and the remainder within five months thereafter.

DEPOSIT OF BONDS.

"Every association, after having complied with the provisions of this title, pre-

liminary to the commencement of the banking business, and before it shall be authorized to commence banking business under this title, shall transfer and deliver to the Treasurer of the United States, as security for its circulating notes, any United States registered bonds bearing interest, to an amount, where the capital is one hundred and fifty thousand dollars or less, of not less than one-fourth of the capital, and fifty thousand dollars where the capital is in excess of one hundred and fifty thousand dollars" (as amended by the Acts of June 20, 1874, and July 12, 1882). Each bank must have these minimum amounts of bonds on deposit with the Treasurer of the United States, whether it have any circulating notes outstanding or not.

CIRCULATING NOTES.

a.—Limit for each bank :

Act July 12, 1882, Sec. 10. "Upon a deposit of bonds the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank, registered and countersigned as provided by law, equal in amount to ninety per centum of the current market value, not exceeding par, of the United States bonds so transferred and delivered, and at no time shall the total amount of such notes issued to any such association exceed ninety per centum of the amount at such time actually paid in of its capital stock."

b.—Withdrawal of circulation and subsequent increase :

Act of July 12, 1882, Sec. 9. "Any national banking association now organized, or hereafter organized, desiring to withdraw its circulating notes, upon a deposit of lawful money with the Treasurer of the United States, is authorized to withdraw a proportionate amount of the bonds held as security for its circulating notes in the order of such deposits ; and no national bank which makes any deposit of lawful money in order to withdraw its circulating notes shall be entitled to receive any increase of its circulation for the period of six months from the time it made such deposit of lawful money for the purpose aforesaid : *Provided*, That not more than \$3,000,000 of lawful money shall be deposited during any calendar month for this purpose."

c.—Aggregate amount unlimited :

By section 3 of the Act of January 14, 1875, the aggregate amount of the circulating notes of national banking associations was made unlimited, except, of course, that it cannot be greater than 90 per cent. of the par value of all the United States bonds outstanding.

d.—Denominations of notes:

The Act of June 3, 1864, provided that after the resumption of specie payments no notes of a less denomination than \$5 were to be issued ; so that the present denominations are \$5, \$10, \$20, \$50, \$100, \$500 and \$1000.

e.—Notes not a legal tender but receivable for public dues, except duties on imports, and by other national banks:

Act of June 3, 1864, section 23.—"National bank notes shall be received at par in all parts of the United States in payment of taxes, excises, public lands and all other dues to the United States, except duties on imports ; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption of the national currency.

Sec. 32.—"Every national banking association formed or existing under this title, shall take and receive at par, for any debt or liability to it, any and all notes or bills issued by any lawfully organized national banking association."

f.—One per cent. tax on circulation:

Act of June 3, 1864, sec. 41.—"In lieu of all existing taxes, every association shall pay to the Treasurer of the United States, in the months of January and July, a duty of one-half of one per centum each half-year upon the average amount of its notes in circulation."

g.—Five per cent. redemption fund deposited in the United States Treasury, but banks also required to redeem their notes at their own counters :

Act of June 20, 1874, sec. 3.—"Every association organized, or to be organized, under the provisions of the said act ("National Bank Act") and of the several acts amendatory thereof, shall at all times keep and have on deposit in the Treasury of the United States, in lawful money of the United States, a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation ; which sum shall be counted as part of its lawful reserve. And when the circulating notes of any such associations, assorted or unassorted, shall be presented for redemption, in sums of \$1,000, or any multiple thereof, to the Treasurer of the United States, the same shall be redeemed in United States notes."—The banks, however, were also required to redeem their notes at their own counters, and the system of redemption agencies previously in force was abandoned.

h.—The Comptroller may sell bonds deposited by failed banks to redeem their notes. The United States has also a first lien on the assets of failed banks,

RESERVES.

Every national bank in certain cities, called "reserve cities," is required to have on hand at all times in "lawful money of the United States" (which includes all kinds now coined or issued in the country except national bank notes, subsidiary silver and minor coin), an amount equal to at least 25 per cent. of its *deposits*; and banks in other places must have a 15 per cent. reserve, three-fifths of which may consist of balances due them by the National banks in "reserve cities."

One-half of the reserves in these "reserve cities" may also be deposited in national banks in the so-called "central reserve cities" which at present are New York, Chicago and St. Louis. By the Act of June 20, 1874, the redemption fund, equal to 5 per cent. of a bank's circulation, deposited in the Treasury of the United States, counts as part of its lawful reserve.

TEN PER CENT. TAX ON STATE BANK ISSUES.

In order to secure to the national banks a monopoly of the note issues, a tax of ten per cent. was imposed upon the note issues of all other associations, which, of course, put a stop to the latter. This law, as amended by the Act of February 8, 1875, provides:

"Sec. 19. That every person, firm, association other than national bank associations, and every corporation, State bank, or State banking association, shall pay a tax of ten per centum on the amount of their own notes used for circulation and paid out by them.

"Sec. 20. That every such person, firm, association, corporation, State bank or State banking association, and also every National banking association, shall pay a like tax of ten per centum on the amount of notes of any person, firm, association, other than a national banking association, or of any corporation, State bank, or State banking association, or of any town, city, or municipal corporation, used for circulation and paid out by them."

Our national banking system has given us a bank currency which possesses the great merits of being uniform all over the country and as secure as the Government currency in which it is redeemable. The security of the holder of a national bank note is guaranteed by an elaborate system of safeguards, chief among which is the deposit of United States bonds with the Treasurer of the United States. The uniformity of the currency is promoted by this feeling of security and is made more perfect by the fact that the bank notes are receivable by the United States Government and by all the national banks.

But the system has entirely failed in securing an elastic currency, which can easily respond to the varying demands of the country for a circulating medium. In fact, there are certain provisions which seem designed to prevent the banks from altering the amount of their circulating notes outstanding without great difficulty.

If a bank wishes to increase its circulation it must invest a considerably greater amount in United States bonds, as it can issue notes only up to 90 per cent. of the par value of the bonds, and all of these except the "two per cents" are now much above par. Besides this it takes considerable time for the banks to increase their circulation, and when a sudden emergency arises they have just about managed to get out more notes when the occasion for so doing has passed by.

When the banks have too many notes outstanding, they cannot retire them at a greater rate than \$3,000,000 a month (for all the banks in the country), and when a bank withdraws any of its circulating notes it cannot again increase its circulation for six months.

It is not, as many people suppose, a very profitable operation for banks to issue notes under the conditions which prevail to-day. A little calculation shows this very clearly, and it is found that if, instead of buying \$100,000 of 4 per cent. bonds of 1907 at present rates, and issuing notes thereon, a bank were to take the money required to purchase bonds and for the five per cent. redemption fund and invest it at 6 per cent., it would gain only about \$800 a year less than by the first method, and would be spared all the trouble of caring for circulating notes.

When bonds could be bought cheaply, there was some profit in issuing notes, but those times have gone by, and while of late years both the number and the total capital of the banks have increased, they have been decreasing their circulation, except on extraordinary occasions, such as the crisis of the summer of 1893.

Here are a few statistics:

Year.	No. of Banks.	Capital.	Circulation secured by U. S. Bonds.
January 1, 1875	2,036	\$503,347,901	\$342,333,837
" 1, 1885	2,673	529,910,165	285,496,055
" 1, 1895	3,748	670,906,365	176,667,467

(The amount of circulation given here does not include the notes of insolvent banks, of those in voluntary liquidation, or of those which have deposited legal-tender notes for the purpose of retiring their circulation).

When banks have deposited lawful money with the Treasurer of the United States for the purpose of withdrawing bonds, their notes, which were secured by those bonds may continue to circulate for an indefinite period before being presented for redemption, and so add to the total amount of national bank notes outstanding, which on March 1, 1896, for instance, was \$217,181,917. But the figures in the table above given show more correctly the amount of circulating notes which the banks wish to have outstanding. Some banks have never even issued notes, though required to keep a deposit of bonds.

It is pretty evident that the banks would increase their circulation if it paid them to do so, but as they are not in business for their health or for benevolent purposes they cannot be expected to supply the country with an adequate currency under the present laws. The system has been made so secure that it is stiff and rigid, and cannot respond to the demands of the country for varying amounts of currency at different seasons.

SILVER DOLLARS.

The silver dollar has assumed real importance in our monetary system only since 1878.

Up to that time only about eight millions had been coined, and after the change in the coinage laws in 1834, when silver was slightly undervalued with respect to gold, there were practically no silver dollars in circulation. The Act of February 12, 1873—which, by the way, was not rushed through in secret, but, on the contrary, was fully and amply discussed—in omitting the silver dollar from our list of coins, simply registered in the form of a law what had been the custom of the country for nearly forty years.

Not very long after the coinage of the silver dollar had been discontinued there was considerable agitation to restore it to our monetary system. A free coinage bill got through the House of Representatives, was amended in the Senate, and finally a compromise measure, generally known as the Bland-Allison Act, was passed over President Hayes's veto, and became a law on February 28, 1878.

Act of February 28, 1878—To authorize the coinage of the standard silver dollar and to restore its legal-tender character.

“Be it enacted, etc., That there shall be coined, at the several mints of the United States, silver dollars of the weight of four hundred and twelve and a half grains troy of silver, as provided in the Act of January 18, 1837, on which shall be the devices and superscriptions provided by said act; which coins, together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender at their nominal value, for all debts and dues public and private, except where otherwise expressly stipulated in the contract. And the Secretary of the Treasury is authorized and directed to purchase, from time to time, silver bullion, at the market price thereof, not less than two million dollars' worth per month, nor more than four million dollars' worth per month, and cause the same to be coined monthly, as fast as so purchased, into such dollars; and a sum sufficient to carry out the foregoing provision of this act is hereby appropriated out of any money in the Treasury not otherwise appropriated. And any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury, as provided under existing laws relative to the subsidiary coinage: *Provided*, That the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed five million dollars.”

The Act of January 18, 1837, referred to here, fixed the fineness of both gold and silver coin at .900, and as the amount of fine silver in a dollar piece since the establishment of a mint in 1792 had been $371\frac{1}{4}$ grains, the weight of a “standard” dollar (pure silver plus alloy) became $371\frac{1}{4} \times \frac{10}{9} = 412\frac{1}{2}$ grains, at which it has remained ever since.

The seigniorage or gain to the Government arises from the circumstance that the weight of pure silver in a dollar piece ($371\frac{1}{4}$ grains) corresponds to a market price of \$1.29 + per ounce (480 grains), and so when the market price is less than this the Government can buy more than one ounce for \$1.29, and can coin more than one dollar piece from a dollar's worth of bullion, even after making allowance for a loss or waste in coining. As a matter of fact, under the Act of 1878, the Government purchased 291,272,019 ounces of silver, costing \$308,279,261, and from this mass of bullion there were coined 378,166,793 dollar pieces. The difference between the two last figures is nearly 70,000,000, which represents the seigniorage, in dollars.

The history of the silver dollar will be continued under the head of Treasury Notes.

SILVER CERTIFICATES.

Section 3, of the Act of February 28, 1878, just given, says: “That any holder of the coin authorized by this act (silver dollars) may deposit the same with the Treasurer, or any assistant treasurer of the United States, in sums not less than ten dollars, and receive therefor certificates of not less than ten dollars each, corresponding with the denominations of the United States notes. The coin deposited for or representing the certificates shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and when so received, may be reissued.”

The issue of silver certificates, in denominations of one, two and five dollars, was authorized by the act of August 4, 1886, in these words:

"Be it enacted, etc., * * * And the Secretary of the Treasury is hereby authorized and required to issue silver-certificates in denominations of one, two and five dollars, and the silver-certificates herein authorized shall be receivable, redeemable and payable in like manner and for like purposes as is provided for silver certificates by the Act of February 28, 1878, entitled "An act to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," and denominations of one, two and five dollars may be issued in lieu of silver-certificates of larger denominations in the Treasury or in exchange therefor upon presentation by the holders, and to that extent said certificates of larger denominations shall be cancelled and destroyed."

Silver-certificates are therefore now issued in denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500 and \$1,000, and the amount in circulation on March 1, 1896, was \$332,545,943. They are not legal tender.

TREASURY NOTES OF 1890.

The Law of 1878 did not have the effect hoped for by its advocates. It did not materially improve the position of silver, which continued to fall in value. So the agitation was resumed, and, in 1890, what is usually called the Sherman Act was passed by Congress and received the approval of President Harrison on July 14 of that year.

Act of July 14, 1890—Directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes.

"Be it enacted, etc., That the Secretary of the Treasury is hereby directed to purchase, from time to time, silver bullion to the aggregate amount of four million five hundred thousand ounces, or so much thereof as may be offered in each month, at the market price thereof, not exceeding one dollar for three hundred and seventy-one and twenty-five hundredths grains of pure silver, and to issue in payment of such purchases of silver bullion Treasury notes of the United States to be prepared by the Secretary of the Treasury, in such form and of such denominations, not less than one dollar nor more than one thousand dollars, as he may prescribe, and a sum sufficient to carry into effect the provisions of this act is hereby appropriated out of any money in Treasury not otherwise appropriated.

"Sec. 2. That the Treasury notes issued in accordance with the provisions of this act shall be redeemable on demand, *in coin*, at the Treasury of the United States, or at the office of any assistant treasurer of the United States, and when so redeemed may be reissued; but no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury purchased by such notes; and such Treasury notes shall be a legal tender in payment of all debts, public and private, except where otherwise expressly stipulated in the contract, and shall be receivable for customs, taxes, and all public dues, and when so received may be reissued; and such notes, when held by any national banking association, may be counted as a part of its lawful reserve. That upon demand of the holder of any of the Treasury notes herein provided for the Secretary of the Treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver coin, at his discretion, it being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law.

"Sec. 3. That the Secretary of the Treasury shall each month coin two million ounces of the silver bullion purchased under the provisions of this act into standard silver dollars until the first day of July, 1891, and after that time he shall coin of the silver bullion purchased under the provisions of this act as much as may be necessary to provide for the redemption of the Treasury notes herein provided for, and any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.

"Sec. 5. That so much of the act of February 28, 1878, entitled "An act to authorize the coinage of the standard silver dollar and to restore its legal tender character," as requires the monthly purchase and coinage of the same into silver dollars of not less than two million dollars nor more than four million dollars' worth of silver bullion, is hereby repealed.

"Sec. 7. That this act shall take effect thirty days from and after its passage."

Though these "Treasury notes" were issued in payment for silver bullion, it was expressly provided that they should be redeemable *in coin*, either gold or silver, nominally at the discretion of the Secretary of the Treasury, but really at the discretion of the note holder, for if it be "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio," the Secretary of the Treasury cannot give a man silver when he asks for gold.

These Treasury notes, then, resemble the United States notes (greenbacks) in being redeemable in gold or silver coin, and the issue of nearly \$156,000,000 (\$155,931,002) of them was equivalent to the issue of a like amount of greenbacks in its effect upon the credit of the Government.

The increased purchases of silver bullion under the Act of 1890 and the issue of coin notes in payment therefor caused a growing feeling of uneasiness in the business world which culminated in the panic of 1893. It was feared that the Government might not be able to maintain all its currency on an equality by continuing to freely exchange gold for paper, and so gold was hoarded and the Government's stock of that metal sank lower and lower. In order to restore confidence it was necessary to stop the purchase of silver, for which purpose President Cleveland called Congress together in special session on August 7, 1893. The House of Representatives on August 28 passed a bill repealing the purchase clause of the Act of 1890, but there was much obstruction in the Senate, and the bill did not pass that body until October 28, and not until the declaration as to the policy of the United States which forms the latter part of it had been added. It was promptly signed by the President, and became a law on November 1, 1893.

Under the Act of 1890 nearly 169,000,000 (168,674,683) ounces of silver were purchased, at a cost of about \$156,000,000 (\$155,931,002).

As an example of how the 'gain or seigniorage' may arise under this Act, let us suppose that the Secretary bought 1,000 000 ounces of silver at 90 cents an ounce, and issued Treasury notes to the amount of \$900,000 in payment. Now, as was shown before, one ounce will make 1.29 dollar pieces, so 1,000,000 ounces can be coined into 1,290,000 dollars. But 900,000 dollars would be all that was legally necessary to redeem the notes, and so the difference between \$1,290,000 and \$900,000, or \$329,000, would be the Government's seigniorage, or profit, by the transaction.

Under the Act of 1890, 30,971,565 ounces of silver bullion, costing \$31,791,535.34, had, up to November 1, 1895, been coined into 40,044,044 dollars. Of these dollars, \$12,264,722 had been used to permanently retire Treasury notes, \$20,517,230 remained in the Treasury, representing outstanding notes, and \$8,252,508 formed the seigniorage which the Government had gained.

Re-coinage of Trade Dollars.

An Act of February 19, 1887, provided for the retirement of trade dollars and their re-coinage into standard silver dollars or subsidiary coin, and accordingly about 5,000,000 (5,078,472) standard silver dollars have been re-coined from retired trade dollars.

Amount of Silver Dollars.

As before remarked, about 378 millions of silver dollars were coined under the Act of 1878, so that the total amount of silver dollars coined from February 28, 1878, to November 1, 1895, was:

Under the Act of 1878.....	\$378,166,793
“ “ “ “ 1890.....	40,044,044
Re-coined from trade dollars.....	5,078,472
Total	\$423,289,309

These silver dollars are a legal tender in any amount, unless otherwise expressly stipulated in the contract, but they have not met with much favor as a medium of exchange. The Government has tried to force them into circulation, and has even transported them to distant parts of the country free of charge. But most of these have come back, and the amount outside the Treasury on March 1, 1896, was only \$55,515,941.

Most of the silver dollars in the Treasury, however, are represented by silver certificates, which have a wide circulation, particularly since their issue in denominations of \$1, \$2, and \$5, the amount outside the Treasury on March 1, 1896, being \$332,545,943.

REDEMPTION OF TREASURY NOTES AND GREENBACKS.

The Treasury notes of 1890, when redeemed in coin, or otherwise received into the Treasury, "may be reissued, but no *greater or less* amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom then held in the Treasury purchased by such notes." According to this, when these notes are redeemed in silver they may be cancelled and, as a matter of fact, over \$19,000,000 worth of them have been retired in this way up to March 1, 1896. It may seem strange that silver has been asked for in exchange for these notes, but an explanation is found in the law of August 4, 1886, which authorizes the Secretary of the Treasury to transport silver coin from the Treasury or sub-treasuries free of charge when requested to do so, provided that an equal amount in coin or currency shall have been deposited in the Treasury or such sub-treasuries by the applicant. Accordingly, persons wishing to send money to other parts of the country can deposit Treasury notes (or any other kind of currency) and get the Government to transport an equivalent amount in silver coin to the desired place, without any cost to themselves. This is the manner in which most, if not all, of the Treasury notes of 1890 have been redeemed in silver.

When, however, these notes have been redeemed in gold, or have come into the Treasury as part of the Government's revenue, they have been reissued. The amount of Treasury notes redeemed in gold up to March 1, 1896, was \$78,477,574, most, if not all, of which has now been reissued and may at any time be presented at the Treasury to

be redeemed in gold again. There were on March 1, 1896, still \$136,719,280 of these notes uncanceled.

According to the Act of May 31, 1878, the ordinary United States notes, or greenbacks, *must* be reissued when received into the Treasury in any way. For some time after the resumption of specie payments on January 1, 1879, comparatively few notes were presented for redemption, and up to the passage of the Sherman Act on July 14, 1890, only about \$28,000,000 had been redeemed in gold. But after that the amount grew rapidly, reaching the sum of \$381,795,733 on February 29, 1896; and still not one dollar of the greenbacks outstanding on January 1, 1879, has been permanently retired, and these \$346,681,016 of United States notes continue to form a debt which must be incurred again as fast as paid off. The gold which has been used to redeem both Treasury notes and greenbacks amounted on February 29, 1896, to \$450,273,307, and there were then over \$483,400,000 of these obligations of the Government still uncanceled, and which may be presented again for redemption.

By the Act of July 12, 1882, which directed "that the Secretary of the Treasury shall suspend the issue of gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars," the gold reserve to be held in the Treasury to secure the redemption of greenbacks was virtually fixed at \$100,000,000. This reserve was not impaired until April, 1893, when it had fallen to \$97,000,000, but from that time on, it has generally continued to diminish, with more or less rapidity, except when it has been temporarily increased by the sale of bonds.

When the reserve becomes seriously impaired, there arises the fear that the Government may not be able to continue gold payments, and this fear leads to the withdrawal of more gold from the Treasury, and at the same time makes it impossible for the Treasury to get any new supply of the yellow metal from the regular sources of revenue. So that in order to preserve the credit of the United States and to prevent disastrous disturbances in the business of the country, the Government has to resort to the sale of bonds by which to replenish the gold reserve.

The authority under which the Secretary of the Treasury sells bonds for this purpose is derived from the Act of January 14, 1875, providing for the resumption of specie payments, which says that in order "to prepare and provide for the redemption" of United States notes, "he is authorized * * * to issue, sell and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the Act of Congress approved July 14, 1870." These were 5 per cent. 10 year, 4½ per cent. 15 year and 4 per cent. 30 year bonds.

On February 1, 1894, the reserve had fallen below \$66,000,000, and in that month \$50,000,000 of 5 per cent. bonds were sold at a premium which yielded the Government over \$58,600,000. By the following November the reserve had gone below \$58,000,000, and so \$50,000,000 more 5 per cent. bonds were sold, realizing over \$58,500,000. But within the next two months the reserve was depleted so rapidly that affairs were worse than ever in February, 1895. This time a contract was entered into with a number of bankers by which they were to furnish the Government with \$65,000,000 in gold in exchange for \$62,000,000 of 4 per cent. 30 year bonds. At least half of this gold was to be furnished from abroad, and the bankers agreed that during the continuance of the contract they would use every means in their power to protect the Government against the withdrawal of gold. Except that it was found better for the country not to draw fully half of the gold from abroad, this contract was faithfully carried out and another bond issue was avoided until the beginning of 1896. This last issue of \$100,000,000 of bonds in February of the present year was subscribed for at a premium which will yield the government about \$111,000,000. Through the four sales, then, the Government has acquired within the last two years over \$293,000,000 gold by incurring a debt of \$262,000,000. The reserve just now (March 1, 1896) is comfortably above \$100,000,000 (\$123,962,980); but it is merely a question of time when it shall have again fallen below the mark. Then must come another bond issue, and so on—as long as the conditions remain unchanged.

The Secretary of the Treasury is not even allowed to use his discretion as to the kind of bond most advantageous to the Government, but is confined to three varieties, which were authorized in 1870, more than a quarter of a century ago, when the debt of the United States—a large part of which was bearing interest at six per cent. and most of the remainder at five per cent.—was refunded at lower rates.

When all of the February, 1896, bonds have been paid for, the Government will have gained \$293,000,000 in gold, as already shown, by sales of bonds in the past two years, but most of this gold has leaked out of the Treasury, for, as the reserve just before the February, 1894, bond issue stood at about \$66,000,000, and now (March 1, 1896), is \$124,000,000, the net gain is only \$58,000,000.

It may be asked why the notes are redeemed in *gold*? Simply because it is the bounden duty as well as the expressed policy of the United States to preserve the equal exchangeability of all its money, and so it must redeem its notes in whatever is desired by the holders. The slightest hesitation on the part of the Government to pay its obligations in the money asked for would immediately weaken confidence in its ability to

maintain the equal purchasing power of all its dollars, and would work havoc in the business world.

SUBSIDIARY SILVER.

Until 1853, the subsidiary silver coins contained as much silver, in proportion to their nominal value, as the dollars, and were legal tender for any sums whatever.

But by the acts of 1834 and 1837, which changed the weights of the gold coins, silver was slightly undervalued, and the subsidiary coins began to follow the silver dollars out of the country.

Finally, in order to keep our fractional silver in circulation, the Act of February 21, 1853, was passed, which reduced the weights of the subsidiary silver coins, and at the same time made them legal tender only for sums not exceeding five dollars.

Changes were made from time to time, and the present legal status of our fractional silver coins is determined by the following acts :

Act of February 12, 1873, section 15 :

“The silver coins of the United States shall be * * * a half-dollar, or fifty-cent piece, a quarter-dollar, or twenty-five cent piece, a dime, or ten-cent piece; and * * * the weight of the half-dollar shall be twelve grams and one-half of a gram; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of the said half-dollar. * * *

“Sec. 13. The standard for * * * silver coins of the United States shall be such that of one thousand parts by weight nine hundred shall be of pure metal and one hundred of alloy. The alloy of the silver coins shall be of copper,”

Act of June 9, 1879—To provide for the exchange of subsidiary coins for lawful money of the United States under certain circumstances, and to make such coins a legal tender in all sums not exceeding ten dollars, and for other purposes.

“Be it enacted, etc., That the holder of any of the silver coins of the United States of smaller denomination than one dollar, may, on presentation of the same in sums of twenty dollars, or any multiple thereof, at the office of the Treasurer or any assistant treasurer of the United States, receive therefor lawful money of the United States.

“Sec. 2. The Treasurer or any assistant treasurer of the United States who may receive any coins under the provisions of this act shall exchange the same in sums of twenty dollars, or any multiple thereof, for lawful money of the United States, on demand of any holder thereof.

“Sec. 3. That the present silver coins of the United States of smaller denominations than one dollar shall hereafter be a legal tender in all sums not exceeding ten dollars, in full payment of all dues public and private.”

As 1 gram is equal to 15.432 grains, the weight of the fifty-cent piece, 12.5 grams, is equal to 192.9 grains of standard silver, the amount of pure silver contained in it being nine-tenths of this, or 173.61 grains.

The amount of subsidiary silver coins which may be issued is practically unlimited, being determined by the needs of the country.

On March 1, 1896, it was \$78,564,547.

MINOR COINS.

Our present minor coins are the nickel five-cent piece, first authorized by the Act of May 16, 1866, and the bronze cent, authorized by the Act of April 22, 1864.

The sections of the Act of February 12, 1873, which determine their present status, are the following :

“Sec. 16. The minor coins of the United States shall be a five-cent piece and a one-cent piece. The alloy for the five-cent piece shall be of copper and nickel, to be composed of three-fourths copper and one-fourth nickel. The alloy of the one-cent piece shall be ninety-five per centum of copper and five per centum of tin and zinc, in such proportions as shall be determined by the Director of the Mint. The weight of the piece of five cents shall be seventy-seven and sixteen-hundredths grains troy; and of the one-cent piece, forty-eight grains.

“The minor coins of the United States shall be a legal tender at their nominal value for any amount not exceeding 25 cents in any one payment.”

“Sec. 30. The minor coins authorized by this Title may, at the discretion of the Director of the Mint, be delivered in any of the principal cities and towns of the United States, at the cost of the Mint, for transportation, and shall be exchangeable at par at the mint in Philadelphia, at the discretion of the superintendent, for any other coin of copper, bronze, or copper-nickel heretofore authorized by law. It shall be lawful for the Treasurer and the several assistant treasurers and depositaries of the United States to redeem, in lawful money, under such rules as may be prescribed by the Secretary of the Treasury, all copper, bronze, and copper nickel coins authorized by law when presented in sums of not less than twenty dollars.”

Whenever, under this authority, these coins are presented for redemption in such quantity as to show the amount outstanding to be redundant, the Secretary of the

Treasury is authorized and required to direct that such coinage shall cease until otherwise ordered by him.

The amount is limited only by the needs of the country.

At present there is about \$20,000,000 worth of minor coins in circulation and in the Treasury, the exact amount being difficult to determine.

BULLION FOR OUR PRESENT COINS.

The metal for our present coins (except the silver dollar) is acquired by the Government, as follows :

GOLD COIN.—Any holder of gold bullion may deposit the same, in amounts of \$100 or over at any mint, to be formed into coin for his benefit. There is no charge for coinage beyond the cost of the alloy used.

SUBSIDIARY SILVER.—Since 1853, all silver coins of less denomination than one dollar have been coined from silver bullion purchased by the Treasury for that purpose, the seigniorage accruing to the Government.

MINOR COINS.—The bullion from which minor coins are executed is likewise purchased by the Treasury, and the profit from the coinage accrues to the Government.

STATISTICAL TABLES.

We will now return to the statement showing the amount of money in the country, concerning which a word or two of explanation may be proper :

Statement of Money in Circulation on March 1, 1896.

	In Treasury.	In Circulation.	Total.
Gold coin.....	\$140,874,515	\$445,293,591	\$586,168,106
Gold bullion.....	26,821,484	.....	26,821,484
Silver dollars.....	869,273,688	55,515,941	424,789,629
Silver bullion.....	123,171,286	.....	123,171,286
Fractional silver coin.....	14,820,486	63,744,061	78,564,547
Total coin and bullion.....	\$674,961,459	\$564,553,593	\$1,239,515,052
United States notes.....	\$106,222,443	\$240,458,573	\$346,681,016
Treasury notes of 1890.....	30,644,730	106,074,550	136,719,280
Gold certificates.....	651,470	43,733,019	44,384,489
Silver certificates.....	11,831,561	332,545,943	344,377,504
Currency certificates.....	245,000	32,825,000	33,070,000
National bank notes.....	8,630,538	208,551,379	217,181,917
Total paper.....	\$158,225,742	\$964,188,464	\$1,122,414,206
Aggregate amount.....	\$833,187,201	\$1,528,742,057	\$2,361,929,258

The order differs from that previously given, with the object of separating the metal from the paper. All the kinds of money are coined or issued by the Government, except the national bank notes.

The gold and silver bullion held in the Treasury are added, because they are available for coinage ; the gold and part of the silver immediately, the greater part of the silver when the Treasury notes which it represents are presented for redemption in silver dollars. The amount of bullion given in the table is its cost price.

In estimating the total stock of currency in the country, the gold certificates, the silver certificates and the currency certificates, and the money they represent, ought not both to be counted. For when one is in use the other cannot be.

The Treasury notes of 1890 in this respect occupy an analogous position to the certificates, as there must not be a "greater or less amount outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom then held in the Treasury purchased by such notes."

The certificates in the Treasury are mere duplicates of gold and silver coins and United States notes held there, too, and, of course, cannot be considered as adding to the Treasury's assets.

The silver bullion purchased under the Act of July 14, 1890, and the dollars coined therefrom are held as a separate fund in the Treasury, and kept equal to the amount of Treasury notes still uncanceled.

The Treasury notes in the possession of the Government, though generally reissued, may be exchanged for silver dollars coined from the bullion they represent, and cancelled, and so they, like the certificates, are duplicates of other money in the Treasury, and do not really add to its assets.

In the following table, therefore, we shall regard the certificates and Treasury notes held in the Treasury as non-existent, and those in circulation as entitling their owners to so much gold and silver coin and United States notes kept by the Government on deposit.

Table Showing Real Distribution of Money in the United States, March 1, 1896. (Figures indicate millions of dollars).

	Total in Treasury.		On Deposit to cover certificates in circulation.	Owned by Treasury.		In Circulation.		
Gold coin.....	140.9	....	43.7	97.2	....	Gold coin.....	445.3	....
“ bullion.....	26.8	....	....	26.8	....	“ certificates.....	43.7	....
Total gold.....	167.7	....	....	124.0	....	Total gold.....	489.0	....
Silver dollars, Act of 1890.....	14.2	....	....	....	....	Treasury notes of 1890..	106.1	....
“ bullion, “.....	122.5	....	....	....	....	Silver dollars.....	55.5	....
Total silver. “.....	136.7	....	106.1	30.6	....	“ certificates.....	332.5	....
Other silver dollars.....	355.1	....	332.5	26.6	....	Subsidiary silver.....	63.7	....
“ bullion.....	0.6	....	....	0.6	....	Total silver, other than	....	....
Subsidiary silver.....	14.8	....	....	14.8	....	that of 1890.....	451.7	....
Total other silver.....	370.5	....	....	38.0	....	United States notes.....	240.5	....
United States notes.....	106.2	....	32.8	73.4	....	Currency certificates....	32.8	....
National bank notes.....	8.6	....	....	8.6	....	Total U. S. notes.....	273.3	....
Total paper.....	114.8	....	....	82.0	....	National bank notes....	208.6	....
....	789.7	515.1	....	274.6	....	....	1,528.7	....

Summary of Preceding Table, Showing Real Ownership of Money.

	Treasury.	Private.
Gold.....	\$124,000,000	\$489,000,000
Silver.....	68,600,000	557,800,000
Paper.....	82,000,000	481,900,000
	\$274,600,000	\$1,528,700,000

These figures are obtained directly from the preceding table by adding the “silver of 1890” to the other silver, and by adding together the United States notes and national bank notes in circulation.

The cost price of the silver bullion of 1890 remaining in the Treasury, as given in the table, is \$122,500,000. Its weight is about 136,000,000 ounces and this amount could be coined into about 176,000,000 dollar pieces. Only \$122,560,000 would be necessary to redeem the Treasury notes which represent the bullion, and the remainder, about \$53,500,000, would form the seigniorage.

In conclusion are presented two tables, adapted from M. L. Muhleman’s “Money of the United States,” showing, in summary form, our present money system.

United States Coins.*

	Authorized in Present Form by Act of	Weight, in Grains.	Fineness.	Weight of Pure Metal, in Grains.	Diameter, in Inches.	Thick- ness, in Inches
GOLD COINS.						
Double Eagle.....	March 3, 1819.	516.	.900	464.4	1.35	.077
Eagle.....	{ June 28, 1834 and Jan. 18, 1837 }	258.	.900	232.2	1.05	.060
Half-eagle.....	“ “	129.	.900	116.1	.85	.046
Quarter-eagle.....	“ “	64.5	.900	58.05	.75	.034
SILVER COINS.						
Dollar.....	{ Feb. 28, 1878 and July 14, 1890 }	412.5	.900	371.25	1.5	.08
Half-dollar.....	Feb. 12, 1873	192.9	.900	173.61	1.2	.057
Quarter-dollar.....	“ “	96.45	.900	86.805	.95	.045
Dime.....	“ “	38.58	.900	34.722	.7	.032
MINOR COINS.						
Five-cent piece.....	May 16, 1866	77.16	{ 75 per cent. copper. 25 per cent. nickel. }		.8	.062
One-cent piece.....	April 22, 1864	48.	{ 95 per cent. copper. 5 per cent. tin and zinc. }		.75	.043

*Adapted from M. L. Muhleman’s “Money of the United States.”

At their *nominal* values, the weight ratio of the silver dollar to gold is 15.988, and of the subsidiary silver coins to gold, 14.953.

*Present Money System of the United States.**

	AUTHORIZED IN PRESENT FORM BY ACT OF—	LIMIT OF ISSUE.	DENOMINA- TIONS.	LEGAL TENDER.	RECEIVABLE.	EXCHANGEABLE.	REDEEMABLE.
Gold Coin.....	June 25, 1834 Jan. 18, 1837 and Mar. 3, 1849	Unlimited; coinage free.	\$20, \$10 \$5, \$2.50	Unlimited.	For all dues.	For certificates when gold reserve is not be- low \$100,000,000.	
Gold Certificates.....	July 12, 1882	Issue suspended so long as gold reserve in Treas- ury is below \$100,000,- 000.	\$10,000 \$5,000 \$1,000 \$500, \$100 \$50, \$20	Not a legal tender.	For all public dues.	For gold coin at the Treasury, or any other moneys.	In gold coin at the Treas- ury or sub-treasuries.
Silver Dollars....	Feb. 28, 1878 and July 14, 1890	Amount required to re- deem Treasury notes of 1890.	\$1 \$5	Unlimited, unless other- wise stipulated in con- tract.	For all dues.	For silver certificates or smaller coin at the Treasury.	May be deposited for silver certificates.
Silver Certificates.....	Feb. 28, 1878 and Aug. 4, 1886	Silver dollars in the United States.	\$1,000, \$500 \$100, \$50 \$20, \$10 \$5, \$2, \$1	Not a legal tender.	For all public dues.	For dollars or smaller coin at the Treas- ury.	In silver dollars, at Treas- ury or sub-treasuries.
United States Notes....	Feb. 25, 1862 July 11, 1862 and Mar. 3, 1863	\$346,681,016.	\$1,000, \$500 \$100, \$50 \$20, \$10 \$5, \$2, \$1	Unlimited unless other- wise stipulated in con- tract.	For all dues. (Duties on imports by regula- tion only).	For all kinds of money except gold certificates.	In coin, at sub-treasuries in New York and San Fran- cisco in sums of \$50 and over.
Currency Certificates...	June 8, 1872	The same as United States notes.	\$10,000	Not a legal tender.	Not receivable.	For United States notes.	In United States notes at sub-treasury where issued.
Treasury Notes of 1890.	July 14, 1890	\$155,931,002.	\$1,000, \$500 \$100, \$50 \$20, \$10 \$5, \$2, \$1	Unlimited unless other- wise stipulated in con- tract.	For all public dues.	For all kinds of money except gold certificates	In coin at the Treasury or sub-treasuries.
National Bank Notes...	June 3, 1864	90% of par value of United States bonds outstanding.	\$1,000, \$500 \$100, \$50 \$20, \$10, \$5	Not a legal tender.	For all public dues (ex- cept duties on imports) and by National banks.	For silver and minor coin.	In "lawful money" at the Treasury or bank of issue.
Subsidiary Silver Coin.	Feb. 12, 1873	Needs of the country.	50 cents. 25 cents. 10 cents.	In sums not exceeding \$10.	To the amount of \$10 for all dues.	For minor coin.	In "lawful money" at the Treasury and sub-treas- uries in sums of \$20 or any multiples thereof.
Minor Coin.....	May 16, 1866 and April 22, 1864	Needs of the country.	5 cents. 1 cent.	In sums not exceeding 25 cents.	To the amount of 25 cents for all dues.		In "lawful money" at the Treasury and sub-treas- uries in sums of \$20 and over.

* Adapted from M. L. Muhleman's "Money of the United States."

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Each number contains a **special discussion** of some Sound Currency question.

“In the language of Senator Daniels, of Virginia, it [the Act of 1873] seems to have gone through Congress ‘like the silent tread of a cat.’”—Coin’s Financial School.

SUMMARY OF PROCEDURE—THE ACT OF 1873.

	SENATE.	HOUSE.
<i>Submitted by Secretary of the Treasury</i>	<i>April 25, 1870</i>	.....
<i>Referred to Senate Finance Committee</i>	<i>April 28, 1870</i>	.....
<i>Five hundred copies ordered printed</i>	<i>May 2, 1870</i>	.....
<i>Submitted to House, with supplementary report and correspondence.</i>		<i>June 25, 1870.</i>
<i>Reported, amended and ordered printed</i>	<i>Dec. 19, 1870</i>	.....
<i>Debated.</i>	<i>Jan. 9, 1871</i>	.....
<i>Passed the Senate by a vote of 36 to 14</i>	<i>Jan. 10, 1871</i>	.....
<i>Senate Bill ordered printed</i>		<i>Jan. 13, 1871.</i>
<i>Bill reported with substitute, and recommitted</i>		<i>Feb. 25, 1871.</i>
<i>Original bill reintroduced and printed</i>		<i>Mar. 9, 1871.</i>
<i>Reported and debated</i>		<i>Jan. 9, 1872.</i>
<i>Recommitted</i>		<i>Jan. 10, 1872.</i>
<i>Reported from Coinage Committee, printed and recommitted</i>		<i>Feb. 9, 1872.</i>
<i>Reported back, amended and printed</i>		<i>Feb. 13, 1872.</i>
<i>Debated.</i>		<i>April 9, 1872.</i>
<i>Amended and passed by vote of 110 to 13.</i>		<i>May 27, 1872.</i>
<i>Printed in Senate</i>	<i>May 29, 1872</i>	.....
<i>Reported with amendments and printed</i>	<i>Dec. 16, 1872</i>	.....
<i>Reported with additional amendments and printed</i>	<i>Jan. 7, 1873</i>	.....
<i>Passed Senate</i>	<i>Jan. 17, 1873</i>	.....
<i>Printed with amendments</i>		<i>Jan. 21, 1873.</i>
<i>Conference committee appointed</i>	<i>Jan. 27, 1873</i>	<i>Jan. 25, 1873.</i>
<i>Report of conference committee presented and concurred in</i>	<i>Feb. 6, 1873</i>	<i>Feb. 7, 1873.</i>
<i>Became a law February 12, 1873.</i> .....		.....

“THE CRIME OF 1873.”

JAMES THOMPSON MCCLEARY.

	PAGE.
THE ORIGINAL BILL.....	116
METHOD ADOPTED IN PREPARATION OF THE BILL.....	116
SOME EXPERT OPINIONS.....	117
DISCONTINUANCE OF SILVER DOLLAR RECOMMENDED.....	117
BILLS AND REPORTS IN CONGRESS.....	117
DISCONTINUANCE OF SILVER DOLLAR SPECIFICALLY POINTED OUT.....	118
LIGHT-WEIGHT AND LIMITED TENDER DOLLAR PROPOSED.....	119
OLD STANDARD SILVER DOLLAR NEVER IN THE BILL.....	119
DISCUSSION SHOWING WHY IT WAS OMITTED.....	120
CONSIDERATION OF THE BILL.....	121
THE ERNEST SEYD MYTH.....	122
THE TRUTH ABOUT THE ACT OF 1873.....	124
WHY DIDN'T THE NEWSPAPERS SAY MORE.....	125
SUMMARY OF PROCEDURE.....	126
APPENDIX A—THE SILVER COINAGE SECTION.....	126
APPENDIX B—THE COINAGE ACT OF 1873.....	127

"THE CRIME OF 1873."

The Mintage Act of 1873 is a subject about which there has been a great deal of misunderstanding. And while no well-informed, self-respecting man now casts aspersions on either the methods or the motives of the men who enacted it, there seems to be a demand for a clear statement of its nature and of the method of its preparation and passage.

THE ORIGINAL BILL.

The original bill was prepared in the Treasury Department in the winter of 1869-1870, by John Jay Knox, then Deputy Comptroller of the Currency, under the direction of George S. Boutwell, then Secretary of the Treasury. The laws relating to the mint had not been revised for more than a generation, and much confusion existed. This bill was largely a codification of existing law, with such improvements as experience suggested.

Following is the letter of Secretary Boutwell, transmitting the original bill to the Senate :

TREASURY DEPARTMENT, April 25, 1870.

SIR—I have the honor to transmit herewith "A bill revising the laws relative to the mint, assay offices, and coinage of the United States," and accompanying report. The bill has been prepared under the supervision of John Jay Knox, Deputy Comptroller of the Currency, and its passage is recommended in the form presented. It includes, in a condensed form, all the important legislation upon the coinage, not now obsolete, since the first mint was established, in 1792; and the report gives a concise statement of the various amendments proposed to existing laws, and the necessity for the change recommended. There has been no revision of the laws pertaining to the mint and coinage since 1837, and it is believed that the passage of the inclosed bill will conduce greatly to the efficiency and economy of this important branch of the Government service.

I am, very respectfully, your obedient servant,

GEORGE S. BOUTWELL,
Secretary of the Treasury.

HON. JOHN SHERMAN,
*Chairman Finance Committee,
Senate of the United States.*

On page 2 of the report, Mr. Knox gives the following as

THE METHOD OF PREPARING THE BILL.

"The method adopted in the preparation of the bill was first to arrange in as concise a form as possible the laws now in existence upon these subjects, with such additional sections and suggestions as seem valuable. Having accomplished this, the bill, as thus prepared, was printed upon paper with wide margin, and in this form transmitted to the different mints and assay offices, to the First Comptroller, the Treasurer, the Solicitor, the First Auditor, and to such other gentlemen as are known to be intelligent upon metallurgical and numismatical subjects, with the request that the printed bill should be returned with such notes and suggestions as experience and education should dictate. In this way the views of more than thirty gentlemen who are conversant with the manipulation of metals, the manufacture of coinage, the execution of the present laws relative thereto, the method of keeping accounts, and of making returns to the Department, have been obtained with but little expense to the Department, and little inconvenience to correspondents. Having received these suggestions, the present bill has been framed, and is believed to comprise within the compass of eight or ten pages of the Revised Statutes every important provision contained in more than sixty different enactments upon the mint, assay offices, and coinage of the United States, which are the result of nearly eighty years of legislation upon these subjects."

Then immediately following, in the precise place where any one interested in such legislation or attempting to follow its course would most naturally look for a statement of what was contemplated, was a short paragraph headed in large capital letters :

PROPOSED AMENDMENTS.

In this paragraph an enumeration of "the new features of the bill" is made. There are twelve different amendments specified—one of which is plainly stated to be "*discontinuing the coinage of the silver dollar.*"

Furthermore, the appendix to the report gives four tables : (1) Showing the existing coinage ; (2) giving the proposed coinage, *in which the silver dollar was omitted* ; (3) showing the suggested metric system, and (4) giving a comparison of *coinage existing and proposed*. A note at the foot of this table states that “*the silver dollar, half-dime and three-cent piece * * * are omitted in the proposed bill.*”

SOME EXPERT OPINIONS.

The first draft of the bill was submitted, as above stated, to the leading experts in this country and to some in Europe. Their answers are given in Ex. Doc. H. R. No. 307, second session Forty-first Congress. This document was transmitted to the House in June, 1870, as a supplementary report on the bill.

In this first draft sent out for suggestions, a silver dollar of 384 grains standard weight (*i. e.*, 345.6 grains pure silver), was proposed, being just equal in weight to \$1 worth of subsidiary silver coins, and, like them, limited in legal-tender character, and coined only on Government account. From the very beginning it was clear that the old silver dollar piece was to be dropped.

Mr. J. Ross Snowden, formerly superintendent of the mint at Philadelphia, opposed the proposition to reduce the size of the silver dollar, saying :

THE PRESENT SILVER DOLLAR SHOULD NOT BE DISCONTINUED.

“I see that it is proposed to demonetize the silver dollar. This I think inadvisable. * * * It is quite true that the silver dollar, being more valuable than two half-dollars or four quarter-dollars, will not be used as a circulating medium but only for cabinets, and perhaps to supply some occasional or local demand ; yet I think there is no necessity for so considerable a piece as the dollar to be struck from metal which is only worth 94 cents.”

Dr. Linderman, formerly Director of the Mint, discussing the provision for the 384-grain dollar in the preliminary draft of the original bill, said :

DISCONTINUANCE OF THE SILVER DOLLAR.

“Section 11 reduces the weight of the silver dollar from 412½ to 384 grains. I can see no good reason for the purposed reduction in the weight of this coin. It would be better, in my opinion, to discontinue its issue altogether.

“The gold dollar is really the legal unit and measure of-value. Having a higher value as bullion than its nominal value, the silver dollar long ago ceased to be a coin of circulation, and, being of no practical use whatever, its issue should be discontinued.”

Mr. James Pollock, Director of the Mint, favored the proposed reduction of the weight and character of the silver dollar, saying :

“Section 11. The reduction of the weight of the whole dollar is approved and was recommended in my annual report of 1861 (page 10).”

Mr. Robertson Patterson, of Philadelphia, submitted elaborate notes on the proposed legislation, in the course of which he said :

“SILVER DOLLAR, HALF-DIME AND THREE-CENT PIECE DISCONTINUED.

“The silver dollar, half-dime and three-cent piece are dispensed with by this amendment. Gold becomes the standard money, of which the gold dollar is the unit. Silver is subsidiary, embracing coins from the dime to half-dollar ; coins less than the dime are of copper-nickel. The legal tender is limited to the necessities of the case ; not more than a dollar for such silver, or fifteen cents for the nickels.”

And again, discussing the question of coinage profit, he said :

“But if the silver dollar is abolished (as seems to be agreed on, and properly so), a new normal or standard must be agreed on to estimate profit.”

The judgment of nearly all the experts being thus against the useless coinage of silver dollars “only for cabinets” of curious coins, it was omitted from the bill sent to Congress.

BILLS AND REPORTS IN CONGRESS.

The bill as thus perfected was introduced in the Senate April 25, 1870, accompanied by a report giving the reasons for its introduction, the method of its preparation, and an explanation of every section in it. The original bill and the report accompanying

it are to be found in Senate Misc. Document No. 132, of the second session of the Forty-first Congress.

The bill, though not very long, covered the whole subject of mints and mintage. There has never been any controversy over any but two or three of the sections. To these special attention is directed.

Section 14 of the bill, as will be seen by the copy given in the appendix, specified the weight and fineness of the gold coins, and made the gold dollar the unit of value.

Sections 15 and 18 were as follows :

"SEC. 15. *And be it further enacted*, That of the silver coin, the weight of the half-dollar, or piece of 50 cents, shall be 192 grains ; and that of the quarter-dollar and dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar. That the silver coin issued in conformity with the above section shall be a legal tender in any one payment of debts for all sums less than \$1.

* * * * *

"SEC. 18. *And be it further enacted*, That no coins, either gold, silver, or minor coinage, shall hereafter be issued from the mint other than those of the denominations, standards, and weights herein set forth."

DISCONTINUANCE OF THE SILVER DOLLAR SPECIFICALLY POINTED OUT.

The report accompanying the bill discusses these sections fully, saying among other things :

SILVER DOLLAR—ITS DISCONTINUANCE AS A STANDARD.

"The coinage of the silver-dollar piece, the history of which is here given, is discontinued in the proposed bill. * * * The present gold-dollar piece is made the dollar unit in the proposed bill, and the silver-dollar piece is discontinued." *

And the discontinuance of the silver dollar is specifically pointed out in three other places in the report, as noted above.†

Throughout all the discussions of the bill, and in every form of the bill, *these two provisions* (that making the gold dollar the unit of value and that omitting from coinage the silver dollar of 412½ grains) *remained unchanged*. Sections 14 and 18 of the original bill were in the bill as finally passed substantially as they appeared in the original draft. Section 15 of the original bill was changed from time to time, as follows :

In the original bill, S. 859, introduced April 25, 1870, and favorably reported at the following session, December 19, 1870, it was as given above. The bill in this form passed the Senate by a vote of 36 to 14, on January 10, 1871. (The records show that Senator Sherman voted against the bill, while Senator Stewart voted for it.) It did not, through lack of time at the close of the Congress, pass the House at that session. But the bill was considered in the House ; and on February 25, 1871, it was amended in several ways, among which was an amendment to section 15 raising the legal tender of silver coins to *five dollars*, as under the Act of 1853.

In the first session of the Forty-second Congress, on March 9, 1871, Mr. Kelley reported the bill as H. R. 5. Section 15 of that bill was as follows :

"SEC. 15. *And be it further enacted*, That of the silver coins the weight of the half dollar, or piece of 50 cents, shall be 192 grains; and the quarter dollar and dime shall be, respectively, one-half and one-fifth of the weight of said half dollar : which coins shall be a legal tender, at their denominational value, for any amount not exceeding \$5 in any one payment."

This is an exact reproduction of sections 1 and 2 of the Act of February 21, 1853, except that it omits the silver 5-cent piece.

* Page 11.

† Again on June 10, 1870, Mr. E. B. Elliott, of the Treasury Department, submitted to the Comptroller of the Currency, a full statement of facts and suggestions on the bill then before the Senate. This statement was laid before Congress a few days later. In it he says :

"THE SILVER DOLLAR—ITS DISCONTINUANCE AS A STANDARD.

"The bill proposes the discontinuance of the silver dollar, and the report which accompanies the bill suggests the substitution for the existing standard silver dollar, of a trade-coin of intrinsic value equal to the Mexican silver piaster or dollar." [House Ex. Doc. 307, 41st Cong., 2nd. Sess., p. 70.]

LIGHT-WEIGHT LIMITED TENDER DOLLAR PROPOSED.

On January 9, 1872, this bill was brought up in the House for discussion. Then it was found that some members wanted a dollar piece, though all agreed that it should be simply the equal of two half-dollars, *with limited coinage and tender*. When the bill as a whole had been thoroughly discussed and various amendments suggested, it was referred back to the committee January 10, 1872.

When, on February 13, 1872, the bill was reported to the House by Mr. Hooper as H. R. 1427, it contained the following provision :

"SEC. 16. That the silver coins of the United States shall be a dollar, a half-dollar or fifty cent piece, a quarter-dollar or twenty-five-cent piece and a dime or ten-cent piece ; and the weight of the dollar shall be 384 grains ; the half-dollar, quarter-dollar and the dime shall be, respectively, one-half, one-quarter and one-tenth of the weight of said dollar ; which coins shall be a legal tender at their denominational value for any amount not exceeding \$5 in any one payment."

The bill containing this provision passed the House May 27, 1872. It will be noted that the dollar introduced into the bill, as just shown, contained *only 384 grains*, exactly the weight of two half-dollars, and, like the half-dollars, it had only *limited coinage and tender*. *It was not the old standard dollar of 412½ grains*, and did not have "free coinage" or full tender. *This is the dollar* which was afterward dropped out of the bill, and in place of which the trade dollar of 420 grains (with *unlimited coinage* but limited tender) was substituted.

The fourth and final form of the bill, which passed the Senate January 17, 1873, and was accepted by the House February 7, 1873, and was signed by the President February 12, 1873, contained the following provision :

"That the silver coins of the United States shall be a trade dollar, a half-dollar or fifty-cent piece, a quarter-dollar or twenty-five-cent piece, a dime or ten-cent piece ; and the weight of the trade dollar shall be 420 grains troy ; the weight of the half-dollar shall be 12½ grams ; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar ; and said coins shall be a legal tender at their nominal value for any amount not exceeding \$5 in any one payment."

These are *all* the provisions of the act referring to the kinds of silver coins.

THE OLD STANDARD DOLLAR WAS NEVER IN THE BILL.

Ask the first twenty free-silverites that you meet, "Did the Act of 1873 ever contain the old standard silver dollar of 412½ grains?" and nineteen of them, if not all, will promptly answer, "Why, certainly, and it was *surreptitiously* dropped out just before the passage of the bill." Many a good man has had his righteous indignation aroused by being told this tale. And very frequently it has been told by men who sincerely believed that such was the case. The free-silver leaders are responsible for this erroneous impression. They have, with a few honorable exceptions, scattered this impression broadcast, for the purpose of stirring up the resentment which would be natural if the story were true. But, as we have seen, the story is not true. *The 412½-grain dollar was never in the bill from first to last!* Its omission was carefully pointed out in the report accompanying the original bill, and the reasons for the omission were plainly given. The dollar for which the trade dollar was finally substituted was a 384-grain dollar, of limited coinage and tender. The change was made for the benefit of the silver producers, and at their request, to enable them to find a market for their silver in the East.

And the bill on its final passage was voted for by every man from the Pacific Coast. They had got exactly what they asked for.

That there was no intent to conceal the fact that it was proposed to discontinue the coinage of the silver dollar, but that, on the contrary, every effort was made to set forth that fact with perfect clearness, is evidenced by the prominence given the subject in printing the reports submitted with the proposed bill in April and June, 1870, from

which extracts have been given above. The following headings to divisions of those reports were all printed in capitals :

- (1) PROPOSED AMENDMENTS [enumerating among others the omission of the silver dollar].
- (2) SILVER DOLLAR, HALF-DIME, AND THREE-CENT PIECE DISCONTINUED.
- (3) SILVER COIN SHOULD ONLY BE ISSUED IN EXCHANGE FOR GOLD AT PAR.
- (4) WEIGHT OF SILVER DOLLAR SHOULD BE CAREFULLY CONSIDERED.
- (5) DISCONTINUANCE OF SILVER DOLLAR.
- (6) THE PRESENT SILVER DOLLAR SHOULD NOT BE DISCONTINUED.
- (7) GOLD AND SILVER COINS.
- (8) THE SILVER DOLLAR—ITS DISCONTINUANCE AS A STANDARD.

It would have been impossible for a Senator or Representative to read the reports accompanying the bill and not know that the discontinuance of the silver dollar was under discussion.

DISCUSSION SHOWING WHY IT WAS OMITTED.

That the matter was fully discussed in Congress may be seen by the following extracts from the debates.

On January 9, 1872, in reporting H. R. 5, which (like the original bill S. 859) contained *no silver dollar of any kind*, Mr. Kelley, chairman of the committee in charge of the bill, said :

"The Senate took up the bill and acted upon it during the last Congress and sent it to the House ; it was referred to the Committee on Coinage, Weights and Measures, and received as careful attention as I have ever known a committee to bestow on any measure. * * *

"We proceeded with great deliberation to go over the bill, not only section by section, but line by line, and word by word ; the bill has not received the same elaborate consideration from the Committee on Coinage of this House, but the attention of each member was brought to it at the earliest day of this session ; each member procured a copy of the bill, and there has been a thorough examination of the bill again." *

For reasons not particularly related to the question of silver coinage (one of the points of contention being the substitution of the nickel for the old silver half-dime, which experience had shown to be too small a coin), H. R. 5 was recommitted to the committee. On February 13 it was re-reported by the committee as H. R. 1427, and contained a silver dollar of 384 grains, as shown above. On April 9, 1872, this bill came up in the House for consideration. Mr. Hooper, in a carefully prepared speech of ten columns, explained the bill, section by section. The speech may be found on pages 2306-2308, volume 102 of the *Congressional Globe*. Discussing the silver coins, he said :

"Section 16 re-enacts the provisions of the existing laws defining the silver coins and their weights, respectively, *except in relation to the silver dollar*, which is reduced in weight from 412½ to 384 grains, thus making it a *subsidiary coin* in harmony with the silver coins of less denomination to secure its concurrent circulation with them. The silver dollar of 412½ grains, by reason of its bullion or intrinsic value being greater than its nominal value, long since ceased to be a coin of circulation, and is melted by manufacturers of silverware. It does not circulate now in commercial transactions with any country, and the convenience of these manufacturers in this respect can better be met by supplying small stamped bars of the same standard, avoiding the useless expense of coining the dollar for that purpose."

On the same day Mr. Stoughton, another member of the Coinage Committee, made a speech of seven columns, in which he said : †

"The silver coins provided for are the dollar, 384 grains troy, the half-dollar, quarter-dollar, and dime, of the value and weight of one-half, one-quarter, and one-tenth of the dollar, respectively ; and they are made a legal tender for all sums not exceeding \$5 at any one payment. The silver dollar, as now issued, is worth for bullion 3¼ cents more than the gold dollar, and 7¼ cents more than two half-dollars ; having a greater intrinsic and nominal value, it is certain to be withdrawn from circulation whenever we return to specie payment, and to be used for only manufacture and exportation as bullion."

* *Congressional Globe*, volume 100, page 322.

† *Congressional Globe*, volume 102, page 2308.

Mr. Potter, in discussing this part of the bill, said :

“Mr. Speaker, this is a bill of importance. When it was before the House in the early part of this session I took some objections to it which I am inclined now to think, in view of all the circumstances; were not entirely well founded, but after further reflection I am still convinced that it is a measure which it is hardly worth while for us to adopt at this time. * * * This bill provides for the making of changes in the legal-tender coin of the country and for substituting as legal-tender coin of only one metal instead as heretofore of two. I think myself this would be a wise provision, and that legal-tender coins, except subsidiary coin, should be of *gold alone*; but why should we legislate on this now when we are not using either of those metals as a circulating medium?

The bill provides also for a change in respect of the weight and value of the silver dollar, which I think is a subject which, when we come to require legislation about it at all, will demand at our hands very serious consideration, and which, as we are not using such coins for circulation now, seems at this time to be an unnecessary subject about which to legislate.*

And Mr. Kelley (who is reported as having said afterward that he “did not know that the bill omitted the standard silver dollar”) said on this same day: †

“I wish to ask the gentlemen who has just spoken [Mr. Potter] if he knows of any government in the world which makes its subsidiary coinage of full value? The silver coin of England is 10 per cent. below the value of gold coin, and, acting under the advice of the experts of this country and of England and France, Japan has made her silver coinage within the last year 12 per cent. below the value of her gold coin, and for this reason: *It is impossible to retain the double standard.* The values of gold and silver continually fluctuate. You cannot determine this year what will be the relative values of gold and silver next year. They were 15 to 1 a short time ago; they are 16 to 1 now.

“Hence all experience has shown that you must have *one standard coin* which shall be a legal tender for all others, and then you may promote your domestic convenience by having a subsidiary coinage of silver, which shall circulate in all parts of your country as legal tender for a limited amount and be redeemable at its face value by your Government. But, sir, I again call the attention of the House to the fact that the gentlemen who oppose this bill insist upon maintaining a silver dollar worth $3\frac{1}{2}$ cents more than the gold dollar and worth 7 cents more than two half dollars, and that so long as those provisions remain you cannot keep silver coin in the country.”

In another place in the same speech Mr. Kelley said :

“Every coin that is not gold is subsidiary. I repeat it, sir: Every coin that is not gold is subsidiary.”

Speaking on another subject a few months afterward, Mr. Stewart, then as now a senator from Nevada, said : ‡

“I want the standard gold, and no paper money not redeemable in gold.”

And about two weeks later, on February 20, 1874, the same gentleman said : §

“By this process we shall come to specie basis, and when the laboring man receives a dollar it will have the purchasing power of a dollar, and he will not be called upon to do what is impossible for him or the producing classes to do, figure upon the exchanges, figure upon the fluctuations, figure upon the gambling in New York: but he will know what his money is worth. *Gold is the universal standard of the world. Everybody knows what a dollar in gold is worth.*”

These are the words of Senator Stewart before he became simply the representative of a special interest.

EXTENDED CONSIDERATION OF THE BILL.

On May 27, 1872, the bill was once more called up in the House by Mr. Hooper for the purpose of offering an amendment in the nature of a substitute. In view of certain statements which have been going the rounds to the effect that the bill or its substitute was never read, it may not be out of place to state somewhat more fully the events preceding the passage of the act in the House, as they are recorded in the *Globe* :

- (1) A motion to suspend the rules and pass the bill without reading was defeated ;
- (2) Mr. Hooper then asked that the bill about to be passed be read ;
- (3) The record reads, “The clerk began to read the substitute” (which was the bill passed) ;

* *Ibid.*, volume 102, page 2310.

† *Ibid.*, volume 102, page 2316.

‡ Page 1332, volume 2, part 2, CONGRESSIONAL RECORD.

§ *Ibid.*, page 1677.

(4) Mr. McCormick later said, “I ask that the nineteenth section be read again”;

(5) After further discussion, in the course of which Mr. McNeely, of the Coinage Committee, said :

“As a member of the Committee of Coinage, Weights and Measures, having carefully examined every section and line of the bill and generally understanding the subject before us, I am satisfied that the bill ought to pass.

—the bill was passed ; yeas, 110 ; nays, 13.

The substitute at this time read, discussed and passed was identical, so far as concerns the silver coinage, with that previously reported from the Coinage Committee by Mr. Hooper, and, as shown above, contains no provision for the coinage of the old standard silver dollar, or for anything but the limited Government-coinage of the subsidiary dollar of 384 grains, with limited legal tender character.

The bill was again printed in the Senate on May 29, 1872, and referred to the Finance Committee, from which it was reported back December 16, 1872. After debate the bill was once more printed in full, with amendments, and was considered by the Senate section by section.

After passing the Senate January 17, 1873, the bill was sent to the House, and on January 21, 1873, it was again printed with amendments. Subsequently conference committees were appointed, consisting of Messrs. Hooper, Houghton, and McNeely, of the House, and Senators Sherman, Scott and Bayard, of the Senate. The reports of the Conference Committee were agreed to, and the bill became a law on February 12, 1873.

THE ERNEST SEYD MYTH.

In the campaign of 1892 a story was repeated and believed by many honest people, and by others not so honest, to the effect that the passage of the Act of 1873 was secured by bribery ; that a gentlemen named Ernest Seyd came over from England with £100,000 of English gold, which he successfully used to debauch Congress.

There is a certain class of people to whom any story that lowers an honored name is always welcome. For them no proof was needed in support of this story. There are others who are slow to believe as true that which ought not to be true, but who have heard this story so frequently and so positively stated that some of them may regretfully half admit to themselves that there must be a modicum of truth in it somewhere. They will be glad to be assured, as I now assure them, after very careful study of the subject, that the whole story is an unmitigated falsehood, without even the shadow of foundation.

The facts of Mr. Seyd’s connection with the Act of 1873 are simply these : He was one of the eminent specialists to whom the printed bill was sent for criticism and suggestions. Like the others, Mr. Seyd returned his views in writing. His letter covers nine columns of the *Congressional Record*.

Section 15 of the bill, that providing for the silver coinage, received from him especial attention. His comments on that one section occupy more than a column of fine print. The opening sentence of his letter, together with a portion of his discussion of section 15, will indicate the spirit in which he discussed the matter.

LA PRINCESS STREET, LONDON, February 17, 1872.

“DEAR SIR—You were kind enough to forward to Mr. Alfred Latham a copy of your coinage bill for the United States, to be sent to me, and you expressed a wish to receive criticisms on its provisions.

* * * * *

“SEC. 15. I now come to the most important part of the bill, that of the valuation which, according to section 15, omits the coinage of the silver dollar, and confirms the debased silver coinage of half-dollars and below, under the tender limit of \$5. I am aware, of course, that through the amendment of 1853 the same debased coinage was already established ; but, although the actual coinage of the silver dollar had practically ceased, still that piece was not abolished by law. As this new bill presumably repeals all previous enactments, I suppose that the total abolition of the silver dollar is contemplated. * * *

“Permit me to beg that you will first investigate the question of double *vs.* single valuation. * * *

"Apart from the theory, why should America have given up her silver dollar? The cause of its disappearance from circulation is due to the original error of there being too much silver in the piece. * * * That cause would have been removed if the dollar weighed 400 grains, that being the true proportion of 1 to 15½ gold to silver, instead of 412½ grains, as by the old law. Why should it not be reintroduced at its true full weight of 400 grains and become again one of the active agents of commerce? * * *

"I am, dear sir, yours very obediently,

ERNEST SEYD."

"To SAMUEL HOOPER, Esq., M. C.

These brief extracts are sufficient to indicate Mr. Seyd's attitude toward silver, and the manly, dignified way in which he presented his argument. The fact is that Seyd, Wolowski and Cernuschi were the three great champions of silver in Europe. They fought for it as knights of old fought for their lady loves. And it is the basest ingratitude for the friends of silver in this country to blacken the fair name of the greatest champion of their cause.

A garbled statement has been going the rounds pretending to be an extract from the *Congressional Globe*. It has misled many honest people. One form of it is as follows:

"Ernest Seyd, of London, a distinguished writer and bullionist *is now here*, and has given great attention to the subject of mints and coinage, and after examining the first draft of the bill, made various sensible suggestions, which the committee accepted and embodied in the bill."

Slight modifications of the wording are occasionally indulged in. For example, Mrs. S. E. V. Emery, in a pamphlet which seems to have been gotten up without the slightest regard for the truth, states that the following is to be found on page 2324 of the *Congressional Globe* for April 9, 1872:

"Ernest Seyd of London, a distinguished writer and bullionist, *who is now here*, has given great attention to the subject of mint and coinage. After having examined the first draft of this bill (for the demonetization of silver) he made various sensible suggestions, which the Committee adopted and embodied in the bill."

These words were attributed to Mr. Hooper, then chairman of the committee on coinage, weights and measures, and, as noted above, are alleged to appear in the *Congressional Globe* of April 9, 1872.

The sentence as it actually stands in the *Globe* of that date is as follows:

"Mr. Ernest Seyd, of London, a distinguished writer who has given great attention to the subject of mints and coinage, after examining the first draft of the bill, furnished many valuable suggestions, which have been incorporated in the bill."

Looking at the alleged extract given before, we notice that the words, "is now here" have been interpolated. They are not in the *Globe*, and the interpolation is done so clumsily as to betray the fact that the one who did it was as ignorant as he was unscrupulous.

Another most audacious falsehood, also used by Mrs. Emery to corroborate her charge of bribery, is to be found upon the same page of her pamphlet, in which she states:

"In the *Bankers' Magazine* of August, 1873, we find the following on this subject: 'In 1873, silver being demonetized in France, England and Holland, a capital of \$500,000 was raised, and Ernest Seyd, of London, was sent to this country with this fund, as agent for the foreign bondholders and capitalists, to effect the same object (demonetization of silver), which was accomplished.'"

This proves to be another forgery, as no such paragraph appears in the *Bankers' Magazine* for August, 1873, or in any other number of that periodical, so far as a careful search by the editor can disclose.

The following extract from a letter written by the son of Ernest Seyd is interesting, as settling all doubts as to whether his father was here in 1872:

"Ernest Seyd was not in the United States at that date, for the purpose of bribing members of Congress to vote for the demonetization of silver, never having been there since 1856. The statement is the more absurd as he was the first to take up the cause of silver in England against the prevailing doctrine here, and remained a consistent supporter of silver, as his numerous works on the subject will show."

Further than this, Mr. Alfred T. Storey, an English correspondent for *The Voice*,* investigating the truthfulness of an alleged affidavit of one Frederick A. Luckenbach of Denver, Col., to the effect that Ernest Seyd had told him that he came to America in the winter of 1872-3, bringing with him £100,000 with which to accomplish the demonetization of silver, went to see the son and the brother of Ernest Seyd at London and was shown the letter books of the firm for the years 1872 and 1873, when Mr. Seyd was said to have been in America. He made an especial investigation of the signatures of Ernest Seyd, Sr., from October, 1872, to March, 1873 (covering the session in which the act was passed), and "found that they were frequent all through that period; and there were certainly no breaks between the dates long enough for Mr. Seyd to have paid a visit to the States." These signatures were pointed out to him by the cashier of the firm, who was in the business with them in 1872-3. The cashier said that he was prepared to take oath that the signatures were Ernest Seyd's, Sr.

The story of bribery by Ernest Seyd started in Denver, Colorado. It was manufactured out of whole cloth. Senator Teller, one of the ablest advocates in this country of the free coinage of silver, lives in Denver, and repudiates the story.

I almost feel like apologizing for spending so much time on this miserable fabrication. But so many good people have believed it and have been influenced by it, that I determined to state the facts in the case: That Ernest Seyd has not been in this country since 1856; that his only connection with the bill was to write a letter to Mr. Hooper, just as other experts did; and that so far as his influence went it was against the omission of the silver dollar. And now, having done justice to the memory of an honest man, I dismiss the story with the full conviction that those who shall read this simple statement will never again allow the story to go unrebuked and unrefuted.

THE TRUTH ABOUT THE ACT OF 1873.

From the contemporary records, it is clear that the bill was before Congress for about three years; that it was printed eleven times separately and twice in reports of the Comptroller of the Currency; that it was considered at length by the Finance Committee of the Senate and by the Coinage Committee of the House during five different sessions; that it was carefully debated in both houses, the debates in the Senate occupying 66 columns, and those in the House occupying 78 columns of the *Congressional Globe*; and it finally passed substantially as it was originally introduced. Every feature of the bill was thoroughly explained in the original report accompanying the bill, and repeatedly afterward in the debates on the bill itself.

There, doubtless, were persons in both houses who did not pay attention to either the report or the discussions, for at that time such subjects were regarded as of interest only to experts, but it certainly can not be truthfully said that they did not have full opportunity to know all about it.

So far as concerns the coinage of gold and silver, there were just two important provisions in the Act of 1873, namely, the unlimited coinage of gold and the limited coinage of silver. Both of these provisions have endured and will endure; because, as I have shown already, this is the only way in which we can have the use of both metals as money at the same time. And though some very excellent gentlemen in Congress in 1878, when the wave of "free silver" threatened to overwhelm every one opposed to it, may have said some foolish things about the Act of 1873, it is a significant fact that *not a single Republican* of those quoted as saying these things, unless he lives in a silver-producing State, *has ever voted to repeal the essential provisions* of the Act of 1873 above cited. Except as to the trade dollar (which was inserted as a special concession to the silver producers), the Act of 1873, based upon the experience of centuries, framed by men pre-eminent for ability and integrity, discussed in all its phases during the three years when it was before Congress, will be recorded in history as one of the wisest and best pieces of legislation ever enacted by the Congress of the United States. Its details may be changed, but its fundamental principles will endure.

* Given in *The Voice* of May 30, 1895.

WHY DIDN'T THE NEWSPAPERS SAY MORE ?

Occasionally we hear a man ask, “ Why didn't the newspapers say more about the act at the time of its passage ? ” The answer is plain. It was because of their being *news*-papers, not ancient histories. There was nothing new in principle or practice in the bill. It was largely a re-enactment of existing law, properly codified. Why did the bill give gold unlimited coinage and tender ? Because all mint laws in existence did so. Why did it restrict the coinage of subsidiary silver and limit its tender to five dollars ? Because these were the provisions of the Act of February 21, 1853. Why did it omit from coinage the old standard silver dollar ? Because that had been the intent of the Act of 1853. In 1853 the dollar was entirely out of circulation, and no attempt was made to bring it back into circulation. Why did it make the gold dollar the unit of value ? Because it had really been the metallic unit since 1834. And this was the avowed intention of the Act of 1853, as is shown by the following extracts from the *Congressional Globe*, selected from many that might be given.

In discussing the Act of 1853, when it was before Congress (twenty years before the Act of 1873 was passed), Mr. Skelton, of New Jersey, said, among other things :

“ Gold is the only standard of value by which all property is now measured ; it is virtually the only currency of the country.” *

And on the same point, Mr. Dunham, who had the measure in charge in the House, said :

“ Another objection urged against this proposed change is that it gives us a standard of gold only. * * * What advantage is to be obtained by a standard of the two metals which is not as well, if not much better, attained by a single standard, I am unable to perceive ; while there are very great disadvantages resulting from it, as the experience of every nation which has attempted to maintain it has proved. * * * Indeed, it is utterly impossible that you should long at a time maintain a double standard. * * * Gentlemen talk about a double standard of gold and silver as a thing that exists and that we propose to change. We have had but a single standard for the last three or four years. *That has been, and now is, gold. We propose to let it remain so, and to adapt silver to it, to regulate it by it.*” †

These remarks on the Act of 1853, at the time of its consideration in Congress, show that the principles of the Act of 1873 had been enunciated and enacted into law twenty years before.

This is corroborated by the position taken by Hon. Samuel B. Ruggles, representative of the United States to the International Monetary Conference of 1867—from the official report of which the following extract is taken :

“ The president having remarked that the United States were in the like situation with France,

“ Mr. RUGGLES answered that this double standard did not practically exist, and that therefore the United States did not seem to him to be in position to be comprised among the countries having a double standard.

“ The original act of Congress, which was passed at a time when we were less enlightened than to-day, either by study or experience, sought to establish a double standard by giving to gold coin and silver coin equal legal currency in payments, whatever might be the amount of the debt.

“ In 1853, in view of the considerable change which had been experienced in the respective value of the two metals, and which was then in the way of increase, the double standard was practically abolished by the reduction of about seven per cent. in the weight of the fractional pieces of the silver dollar, and by the declaration that all the divisional coins which should subsequently be struck, should be a legal tender only for the payment of debts not exceeding five dollars. * * * The legislators and the people of the United States have sufficiently learned, if not by study, at least by experience, that the system of a double standard is not only a fallacy, but an impossibility, in assuming a fixed relation between the values of two different products, gold and silver.”

And the remarks of Mr. Kelley in the House in 1872, ‡ and those of Senator Stewart in 1874, § show that at that time, before the tremendous output of silver turned

* *Congressional Globe*, volume XXVI., second session, Thirty-second Congress, page 190.

† Volume and page above cited.

‡ “ It is impossible to retain the double standard. The values of gold and silver continually fluctuate. You cannot determine this year what will be the relative values of gold and silver next year,” etc.

§ “ I want the standard gold, and no paper money not redeemable in gold.”

men's heads, there was practically undivided opinion on the subject. The bill had been before Congress three years, it had been repeatedly discussed, there was nothing new or startling in it, and hence there was no call for any extended notice of its passage. Why, the very fact that the papers made no extended report of its passage is the very best evidence, if any more were wanted, that the act was neither novel nor vicious. The Reporters's Gallery has always included men representing all shades of opinion, men nowhere surpassed for intelligence, honesty and alertness. Had there been anything wrong in either the matter of the bill or the method of its passage, these things would surely have been discovered and reported by some of these gentlemen. But the facts are seen to be that the bill was passed openly and honestly. It embodies the principles of sound mintage, and it undoubtedly saved us from going to a silver basis on the resumption of specie payments. And, therefore, the men who framed it and those who passed it deserve and will receive the grateful thanks of ourselves and our posterity.

SUMMARY OF PROCEDURE—THE ACT OF 1873.

	SENATE.	HOUSE.
Submitted by Secretary of the Treasury	April 25, 1870	.....
Referred to Senate Finance Committee	April 28, 1870	.....
Five hundred copies ordered printed	May 2, 1870	.....
Submitted to House, with supplementary report and correspondence .....	.....	June 25, 1870.
Reported, amended and ordered printed	Dec. 19, 1870	.....
Debated	Jan. 9, 1871	.....
Passed the Senate by vote of 36 to 14	Jan. 10, 1871	.....
Senate Bill ordered printed .....	.....	Jan. 13, 1871.
Bill reported with substitute, and recommitted .....	.....	Feb. 25, 1871.
Original bill re-introduced and printed. ....	.....	Mar. 9, 1871.
Reported and debated .....	.....	Jan. 9, 1872.
Recommitted .....	.....	Jan. 10, 1872.
Reported from Coinage Committee, printed and recommitted .....	.....	Feb. 9, 1872.
Reported back, amended and printed .....	.....	Feb. 13, 1872.
Debated .....	.....	April 9, 1872.
Amended and passed by vote of 110 to 13 .....	.....	May 27, 1872.
Printed in Senate	May 29, 1872	.....
Reported, amended and printed	Dec. 16, 1872	.....
Reported, amended and printed	Jan. 7, 1873	.....
Passed Senate	Jan. 17, 1873	.....
Printed with amendments .....	.....	Jan. 21, 1873.
Conference committee appointed	Jan. 27, 1873	Jan. 25, 1873.
Report of conference committee presented and concurred in	Feb. 6, 1873	Feb. 7, 1873.
Became a law February 12, 1873 .....	.....	.....

APPENDIX A—THE SILVER COINAGE SECTION.

As a further refutation of the charge that the bill was passed surreptitiously, and to facilitate reference to the changes made in it, during its extended consideration in Congress, there are appended here : 1st, a copy of the section in reference to silver coins as it appeared in the draft first submitted to experts and interested persons ; 2d, a copy of the section as printed in the report of the Treasury Department and as passed by the Senate ; 3d, a copy of the section as reported by Mr. Kelley in the House ; 4th, a copy of the section as reported by Mr. Hooper in the House and as passed by the House ; 5th, a copy of the section as reported by the Finance Committee of the Senate ; 6th, a copy of the section as passed by the Senate ; 7th, a copy of the section as reported from the Conference Committee and finally accepted by House and Senate and as it appears in the Act.

(1) The following is the section as it appeared in the draft first submitted by the Treasury Department to the experts on coinage :

SEC. 11. *And be it further enacted*, That of the silver coins, the weight of the dollar shall be 384 grains, the weight of the half-dollar or piece of 50 cents shall be 192 grains ; and that the quarter-dollar, dime and half-dime shall be, respectively, one-half, one-fifth and one-tenth of the weight of said half-dollar. That the silver coin issued in conformity with the above sections shall be a legal tender in any one payment of debts for all sums not exceeding \$5, except duties on imports.

(2) Section as it appeared in the bill transmitted to the Senate April 25th, 1870, and as printed in the two reports of John J. Knox, Deputy Comptroller of the Currency ; also in Senate Bill 859, Forty-first Congress, second session, April 28, 1870 ; in same bill as reported December 19, 1870 ; and as it passed the Senate January 10, 1871 :

SEC. 15. *And be it further enacted*, That of the silver coins the weight of the half-dollar, or piece of 50 cents, shall be 192 grains ; and that of the quarter-dollar and dime shall be, respectively, one-half

and one-fifth of the weight of said half-dollar. That the silver coin issued in conformity with the above section shall be a legal tender in any one payment of debts for all sums less than \$1.

(3) Section as reported from the House Committee on Coinage and printed February 25, 1871, and in House Bill No. 5, Forty-second Congress, first session, March 9, 1871 :

SEC. 15. *And be it further enacted*, That of the silver coins the weight of the half-dollar, or piece of 50 cents, shall be 192 grains ; and the quarter-dollar and dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar ; which coins shall be a legal tender, at their denominational value, for any amount not exceeding \$5 in any one payment.

(4) Section as printed in House Bill number 1427, reported February 9, 1872, and as again reported February 13, 1872, and as it passed the House May 27, 1872, and was printed by the Senate May 29, 1872 :

SEC. 16. *And be it further enacted*, That the silver coins of the United States shall be a dollar, half-dollar or fifty-cent piece, a quarter-dollar or twenty-five cent piece, and a dime or ten-cent piece ; and the weight of the dollar shall be 384 grains ; the half-dollar, quarter-dollar and the dime shall be, respectively, one-half, one-quarter, and one-tenth of the weight of said dollar ; which coin shall be a legal tender, at their denominational value, for any amount not exceeding \$5 in any one payment.

(5) Section as reported and printed in the Senate December 16, 1872 ; as reported and printed in the Senate January 7, 1873 :

" SEC. 15. That the silver coins of the United States shall be a trade-dollar, a half-dollar or fifty-cent piece, a quarter-dollar or twenty-five cent piece ; and the weight of the trade-dollar shall be 420 grains troy ; the weight of the half-dollar shall be 12½ grains ; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar ; and said coins shall be a legal tender at their nominal value for any amount not exceeding \$5 in any one payment."

(6) Section as it passed the Senate, January 17, 1873, and was printed in the House, January 21, 1873 :

SEC. 15. That the silver coins of the United States shall be a trade-dollar, a half-dollar, or fifty-cent piece, a quarter-dollar, or twenty-five-cent piece, a dime or ten-cent piece ; and the weight of the trade-dollar shall be four hundred and twenty grains troy ; the weight of the half-dollar shall be twelve grains and one-half of a grain ; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar ; and said coins shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment.

(7) As reported from the conference committee and accepted by both houses and as it appears in the act :

SEC. 15. That the silver coins of the United States shall be a trade-dollar, a half-dollar, or fifty-cent piece, a quarter-dollar, or twenty-five cent piece, a dime, or ten-cent piece ; and the weight of the trade-dollar shall be four hundred and twenty grains troy ; the weight of the half-dollar shall be twelve grains and one-half of a grain ; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of the said half-dollar ; and said coins shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment.

The following section was contained in all the different bills and in the coinage act of 1873 :

SEC. 18. *And be it further enacted*, That no coins, either of gold, silver or minor coinage, shall, hereafter be issued from the Mint other than those of the denominations, standards, and weights herein set forth.

APPENDIX B.—THE ACT OF 1873.*

An Act revising and amending the laws relative to the mints, assay offices, and coinage of the United States. [Statutes at Large, volume 17, p. 424.]

Be it enacted, etc., That the Mint of the United States is hereby established as a Bureau of the Treasury Department, embracing in its organization and under its control all mints for the manufacture of coin, and all assay offices for the stamping of bars, which are now, or which may be hereafter, authorized by law. [Remainder of section provides for the appointment and term of office of Director of the Mint.]

[SECS. 2-12. inclusive, provide for the officers of the several mints and assay-offices, define their powers, duties and salaries, and prescribe the form of oath of office and official bonds required.]

SEC. 13. That the standard for both gold and silver coins of the United States shall be such that of one thousand parts by weight nine hundred shall be of pure metal and one hundred of alloy ; and the alloy of the silver coins shall be of copper, and the alloy of the gold coins shall be of copper, or of copper and silver ; but the silver shall in no case exceed one-tenth of the whole alloy.

SEC. 14. That the gold coins of the United States shall be a one-dollar piece, which, at the standard weight of twenty-five and eight-tenths grains, shall be the unit of value ; a quarter-eagle, or two-and-a-half-dollar piece ; a three-dollar piece ; a half-eagle, or five-dollar piece ; an eagle, or ten-dollar piece ; and a double-eagle, or twenty-dollar piece. And the standard weight of the gold dollar shall be twenty-five and eight-tenths grains ; of the quarter-eagle, or two-and-a-half-dollar piece, sixty-four and a half grains ; of the three-dollar piece, seventy-seven and four-tenths grains ; of the half-eagle, or five-dollar piece, one hundred and twenty-nine grains ; of the eagle, or ten-dollar piece, two hundred and fifty-eight grains ; of the double-eagle, or twenty-dollar piece, five hundred and sixteen grains ; which coins shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided in this act for the single piece, and when reduced in weight, below said standard and tolerance, shall be a legal tender at valuation in proportion to their actual weight ; and any gold coin of the United States, if reduced in weight by natural abrasion not more than one-half of one per centum below the standard weight prescribed by law, after a circulation of twenty years, as shown by its date of coinage, and at a ratable proportion for any period less than twenty years, shall be received at their nominal value by the United States Treasury and its offices, under such regulations as the Secretary of the Treasury may prescribe for the protection of the Government against fraudulent abrasion or other practices ; and any gold coins in the Treasury of the United States reduced in weight below this limit of abrasion shall be recoined.

* A large part of the act is taken up with details as to the organization of the Bureau of the Mint, etc. Of such portions only a synopsis is given here ; but every section of a public nature referring to the matter of coinage is given in full.

SEC. 15. That the silver coins of the United States shall be a trade-dollar, a half-dollar, or fifty-cent piece, a quarter-dollar, or twenty-five-cent piece, a dime, or ten-cent piece; and the weight of the trade-dollar shall be four hundred and twenty grains troy; the weight of the half-dollar shall be twelve grams and one-half of a gram; the quarter-dollar and the dime shall be, respectively, one-half and one-fifth of the weight of said half-dollar; and said coins shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment.

SEC. 16. That the minor coins of the United States shall be a five-cent piece, a three-cent piece, and a one-cent piece, and the alloy for the five and three cent pieces shall be of copper and nickel, to be composed of three-fourths copper and one-fourth nickel, and the alloy of the one-cent piece shall be ninety-five per centum of copper and five per centum of tin and zinc, in such proportions as shall be determined by the Director of the Mint. The weight of the piece of five cents shall be seventy-seven and sixteen-hundredths grains troy; of the three-cent piece, thirty grains; and of the one-cent piece, forty-eight grains; which coins shall be a legal tender, at their nominal value, for any amount not exceeding twenty-five cents in any one payment.

SEC. 17. That no coins, either of gold, silver, or minor coinage, shall hereafter be issued from the Mint other than those of the denominations, standards, and weights herein set forth.

SEC. 18. That upon the coins of the United States there shall be the following devices and legends: Upon one side there shall be an impression emblematic of liberty, with an inscription of the word "Liberty" and the year of the coinage, and upon the reverse shall be the figure or representation of an eagle, with the inscriptions "United States of America" and "E Pluribus Unum," and a designation of the value of the coin; but on the gold dollar and three-dollar piece, the dime, five, three, and one-cent piece, the figure of the eagle shall be omitted; and on the reverse of the silver trade-dollar the weight and the fineness of the coin shall be inscribed; and the Director of the Mint, with the approval of the Secretary of the Treasury, may cause the motto "In God we trust" to be inscribed upon such coins as shall admit of such motto; and any one of the foregoing inscriptions may be on the rim of the gold and silver coins.

SEC. 19. That at the option of the owner gold or silver may be cast into bars of fine metal, or of standard fineness, or unparted, as he may prefer, with a stamp upon the same designating the weight and fineness, and with such devices impressed thereon as may be deemed expedient to prevent fraudulent imitation, and no such bars shall be issued of a less weight than five ounces.

SEC. 20. That any owner of gold bullion may deposit the same at any mint, to be formed into coin or bars for his benefit; but it shall be lawful to refuse any deposit of less value than one hundred dollars, or any bullion so base as to be unsuitable for the operations of the Mint; and when gold and silver are combined, if either metal be in such small proportion that it cannot be separated advantageously, no allowance shall be made to the depositor for its value.

SEC. 21. That any owner of silver bullion may deposit the same at any mint, to be formed into bars or into dollars of the weight of four hundred and twenty grains troy, designated in this act as trade-dollars, and no deposit of silver for other coinage shall be received; but silver bullion contained in gold deposits, and separated therefrom, may be paid for in silver coin, at such valuation as may be, from time to time, established by the Director of the Mint.

SEC. 22. That when bullion is deposited in any of the mints, it shall be weighed by the superintendent, and when practicable, in the presence of the depositor, to whom a receipt shall be given, which shall state the description and weight of the bullion; but when the bullion is in such a state as to require melting, or the removal of base metals, before its value can be ascertained, the weight, after such operation, shall be considered as the true weight of the bullion deposited. The fitness of the bullion to be received shall be determined by the assayer, and the mode of melting by the melter and refiner.

[Secs. 23 and 24 provide for the assay of bullion and a report thereon by the assayer.]

SEC. 25. That the charge for converting standard gold bullion into coin shall be one-fifth of one per centum; and the charges for converting standard silver into trade dollars, for melting and refining when bullion is below standard, for toughening when metals are contained in it which render it unfit for coinage, for copper used for alloy when the bullion is above standard, for separating the gold and silver when these metals exist together in the bullion, and for the preparation of bars, shall be fixed, from time to time, by the Director, with the concurrence of the Secretary of the Treasury, so as to equal but not exceed, in their judgment, the actual average cost to each mint and assay office of the material, labor, wastage, and use of machinery employed in each of the cases aforementioned.

SEC. 26. That the assayer shall verify all calculations made by the superintendent of the value of deposits, and, if satisfied of the correctness thereof, shall countersign the certificate required to be given by the superintendent to the depositor.

SEC. 27. That in order to procure bullion for the silver coinage authorized by this act, the superintendents, with the approval of the Director of the Mint, as to price, terms and quantity, shall purchase such bullion with the bullion fund. The gain arising from the coinage of such silver bullion into coin of a nominal value exceeding the cost thereof shall be credited to a special fund denominated the silver-profit fund. This fund shall be charged with the wastage incurred in the silver coinage, and with the expense of distributing said coins as hereinafter provided. The balance to the credit of this fund shall be from time to time, and at least twice a year, paid into the Treasury of the United States.

SEC. 28. That silver coins other than the trade-dollar shall be paid out at the several mints, and at the assay office in New York City, in exchange for gold coins at par, in sums not less than one hundred

dollars ; and it shall be lawful, also, to transmit parcels of the same, from time to time, to the assistant-treasurers, depositaries, and other officers of the United States, under general regulations proposed by the Director of the Mint, and approved by the Secretary of the Treasury ; but nothing herein contained shall prevent the payment of silver coins, at their nominal value, for silver parted from gold, as provided in this act, or for change less than one dollar in settlement for gold deposits. *Provided*, That for two years after the passage of this act, silver coins shall be paid at the mint in Philadelphia, and the assay office in New York City, for silver bullion purchased for coinage, under such regulations as may be prescribed by the Director of the Mint, and approved by the Secretary of the Treasury.

SEC. 29. That for the purchase of metal for the minor coinage authorized by this act, a sum not exceeding fifty thousand dollars in lawful money of the United States shall be transferred by the Secretary of the Treasury to the credit of the Superintendent of the mint at Philadelphia, at which establishment only, until otherwise provided by law, such coinage shall be carried on. The superintendent, with the approval of the Director of the Mint as to price, terms and quantity, shall purchase the metal required for such coinage by public advertisement, and the lowest and best bid shall be accepted, the fineness of the metals to be determined on the mint assay. The gain arising from the coinage of such metals into coin of a nominal value, exceeding the cost thereof, shall be credited to the special fund denominated the minor-coinage profit fund ; and this fund shall be charged with the wastage incurred in such coinage, and with the cost of distributing said coins as hereinafter provided. The balance remaining to the credit of this fund, and any balance of profits accrued from minor coinage under former acts, shall be, from time to time, and at least twice a year, covered into the Treasury of the United States.

SEC. 30. That the minor coins authorized by this act may, at the discretion of the Director of the Mint, be delivered in any of the principal cities and towns of the United States, at the cost of the Mint, for transportation, and shall be exchangeable at par at the mint in Philadelphia, at the discretion of the superintendent, for any other coins of copper, bronze, or copper-nickel heretofore authorized by law ; and it shall be lawful for the Treasurer and the several assistant treasurers and depositaries of the United States to redeem, in lawful money, under such rules as may be prescribed by the Secretary of the Treasury, all copper, bronze, and copper-nickel coins authorized by law when presented in sums of not less than twenty dollars ; and whenever, under this authority, these coins are presented for redemption in such quantity as to show the amount outstanding to be redundant, the Secretary of the Treasury is authorized and required to direct that such coinage shall cease until otherwise ordered by him.

[SECS. 31 to 35 relate to the handling, delivery, melting, assaying, etc., of bullion and ingots within the mint.]

SEC. 36. That in adjusting the weights of the gold coins, the following deviations shall not be exceeded in any single piece : In the double-eagle and the eagle, one-half of a grain ; in the half-eagle, the three-dollar piece, the quarter-eagle, and the one-dollar piece, one-fourth of a grain. And in weighing a number of pieces together, when delivered by the coiner to the superintendent, and by the superintendent to the depositor, the deviation from the standard weight shall not exceed one-hundredth of an ounce in five thousand dollars in double-eagles, eagles, half-eagles, or quarter-eagles, in one thousand three-dollar pieces, and in one thousand one-dollar pieces.

SEC. 37. That in adjusting the weight of the silver coins the following deviations shall not be exceeded in any single piece : In the dollar, the half and quarter dollar, and in the dime, one and one-half grains ; and in weighing large numbers of pieces together, when delivered by the coiner to the superintendent, and by the superintendent to the depositor, the deviations from the standard weight shall not exceed two-hundredths of an ounce in one thousand dollars, half-dollars, or quarter-dollars, and one-hundredth of an ounce in one thousand dimes.

SEC. 38. That in adjusting the weight of the minor coins provided by this act, there shall be no greater deviation allowed than three grains for the five-cent piece and two grains for the three and one cent pieces.

[SEC. 39 provides for the delivery by the coiner to the superintendent of coins for trial weight and assay.]

[SEC. 40 provides for the mode of delivery of such coins by the coiner to the superintendent.]

[SEC. 42 provides for the disposition of clippings of bullion, etc.]

[SEC. 43 provides for the method of accounting between the coiner and the superintendent].

[SEC. 43 provides for the examination by the superintendent of the accounts of the coiner, melter and refiner, and what amount may be allowed for wastage.]

[SEC. 44 provides for accounting between the superintendent and the director of the mint, and for an expense account.]

SEC. 45. That when the coins or bars which are the equivalent to any deposit of bullion are ready for delivery, they shall be paid to the depositor, or his order, by the superintendent ; and the payments shall be made, if demanded, in the order in which the bullion shall have been brought to the mint ; but in cases where there is delay in manipulating a refractory deposit, or for any other unavoidable cause, the payment of subsequent deposits, the value of which is known, shall not be delayed thereby ; and in the denominations of coin delivered, the superintendent shall comply with the wishes of the depositor, except when impracticable or inconvenient to do so.

SEC. 46. That unparted bullion may be exchanged at any of the mints for fine bars, on such terms and conditions as may be prescribed by the Director of the Mint, with the approval of the Secretary of the Treasury ; and the fineness, weight and value of the bullion received and given in exchange shall in all

cases be determined by the Mint assay. The charge to the depositor for refining or parting shall not exceed that allowed and deducted for the same operation in the exchange of unrefined for refined bullion.

SEC. 47. That for the purpose of enabling the mints and the assay office in New York to make returns to depositors with as little delay as possible, it shall be the duty of the Secretary of the Treasury to keep in the said mints [and assay office, when the state of the Treasury will admit thereof, such an amount of public money, or bullion procured for the purpose, as he shall judge convenient and necessary, out of which those who bring bullion to the said mints and assay office may be paid the value thereof, in coin or bars, as soon as practicable after the value has been ascertained; and on payment thereof being made the bullion so deposited shall become the property of the United States; but the Secretary of the Treasury may at any time withdraw the fund, or any portion thereof.

SEC. 48. That to secure a due conformity in the gold and silver coins to their respective standards of fineness and weight, the Judge of the District Court of the United States for the Eastern District of Pennsylvania, the Comptroller of the Currency, the assayer of the assay office at New York, and such other persons as the President shall from time to time designate, shall meet as assay commissioners, at the mint in Philadelphia, to examine and test, in the presence of the Director of the Mint, the fineness and weight of the coins reserved by the several mints for this purpose on the second Wednesday in February, annually, and may continue their meeting by adjournment, if necessary; if a majority of the commissioners shall fail to attend at any time appointed for their meeting, the Director of the Mint shall call a meeting of the commissioners at such other time as he may deem convenient; and if it shall appear by such examination and test that these coins do not differ from the standard fineness and weight by a greater quantity than is allowed by law, the trial shall be considered and reported as satisfactory; but if any greater deviation from the legal standard or weight shall appear, this fact shall be certified to the President of the United States; and if, on a view of the circumstances of the case, he shall so decide, the officer or officers implicated in the error shall be thenceforward disqualified from holding their respective offices.

SEC. 49. That for the purpose of securing a due conformity in weight of the coins of the United States to the provisions of this act, the brass troy-pound weight procured by the minister of the United States at London, in the year eighteen hundred and twenty-seven, for the use of the Mint, and now in the custody of the mint at Philadelphia, shall be the standard troy pound of the Mint of the United States, conformably to which the coinage thereof shall be regulated.

[SEC. 50 provides for a series of standard weights for each mint and assay office, and regulates the testing thereof annually.]

[SEC. 51 provides for the destruction of the obverse working dies at the end of each calendar year.]

[SEC. 52 provides that dies of a national character and medals may be made at the Mint at Philadelphia.]

[SEC. 53 provides that all receipts for charges, deductions, etc., shall be covered into the Treasury of the United States, and that no expenditures shall be made for salaries other than by appropriations.]

[SEC. 54 provides for the officers of the assay office at New York and their appointment, and defines the business of the assay office.]

[SEC. 55 defines the duties, oath of office and bonds of such officers.]

[SEC. 56 defines their salaries.]

[SEC. 57 provides regulations for the assay offices at Denver, Boise City, and elsewhere, their officers salaries, etc.]

[SEC. 58 defines the oath of office, bonds, etc., of officers of assay offices.]

[SEC. 59 provides that the general direction of the assay offices shall rest with the Director of the Mint.]

[SEC. 60. The provisions of the act for the government of the mint to apply to the assay-offices.]

[SEC. 61 provides penalties for counterfeiting, etc., gold or silver coins or bars of the U. S.]

[SEC. 62 provides penalties for counterfeiting the minor coins of the United States.]

SEC. 63. That if any person shall fraudulently, by any art, way or means whatsoever, deface, mutilate, impair, diminish, falsify, scale or lighten the gold or silver coins which have been, or which shall hereafter be, coined at the mints of the United States, or any foreign gold or silver coins which are by law made current, or are in actual use and circulation as money within the United States, every person so offending shall be deemed guilty of a high misdemeanor, and shall be imprisoned not exceeding two years, and fined not exceeding two thousand dollars.

[SEC. 64 provides penalties for fraudulently debasing the coinage of the mints, or embezzling metal and coin in the mints.]

SEC. 65. That this act shall take effect on the first day of April, eighteen hundred and seventy-three, [Defines change of organization to occur at that time.]

[SEC. 66. Defines the names of the several mints and assay offices, and transfers unexpended appropriations.]

SEC. 67. That this act shall be known as the "Coinage Act of 1873;" and all other acts and parts of acts pertaining to the mints, assay offices and coinage of the United States inconsistent with the provisions of this act are hereby repealed: *Provided*, That this act shall not be construed to affect any act done, right accrued, or penalty incurred, under former acts, but every such right is hereby saved. . . . [Remainder provides that for prosecutions of violations of former acts, and repeals legislation of 1870 permitting exchange of unrefined or unparted bullion.]

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Each number contains a **special discussion** of some Sound Currency question.

"Most unquestionably there is no legal tender, and there can be no legal tender in this country, under the authority of this Government or any other, but gold and silver, either the coinage of our own mints or foreign coins, at rates regulated by Congress. This is a constitutional principle, perfectly plain and of the highest importance."—Daniel Webster, 1836.

*"The proposition [to make paper a legal tender] is a new one. No precedent can be urged in its favor; no suggestion of the existence of such a power can be found in the legislative history of the country. * * * It is hardly too much to say, therefore, that the uniform and universal judgment of statesmen, jurists and lawyers has denied the constitutional right of Congress to make paper a legal tender for debts to any extent whatever."*—Hon. Roscoe Conkling, Member of Congress from New York, Feb. 4, 1862.

*"The bill before us is a war measure—a measure of NECESSITY, and not of choice. * * * These are extraordinary times, and extraordinary measures must be resorted to in order to save our Government and preserve our nationality. * * * This being accomplished, I will be among the first to agitate a speedy return to specie payments, and all measures that are calculated to preserve the honor and dignity of the Government in time of peace."*—Hon. E. G. Spaulding, Member of Congress from New York, Jan. 28, 1862.

*"If Senators will show me how they can raise money except in the way proposed, I will join them in denouncing paper money. * * * The Senator from Vermont, whose opinion is certainly entitled to the highest consideration, and who supports it with an able argument, contends that this measure is unconstitutional. I confess if I did not feel its necessity I would shield myself behind his conviction and vote against it."*—Hon. John Sherman, in U. S. Senate, February 13, 1862.

THE GREENBACK IN CONGRESS.

LEGISLATIVE HISTORY OF THE FIRST ISSUE OF A GOVERNMENT NOTE
LEGAL TENDER, IN PAYMENT OF PUBLIC AND PRIVATE DEBT.

CRITICISMS AND DEFENSE OF THIS NOVEL MEASURE, ADOPTED AS A
TEMPORARY EXPEDIENT IN DEFIANCE OF PRECEDENT AND
CONSTITUTIONAL AUTHORITY UNDER THE PLEA
OF NECESSITY.

INTRODUCTION. 132

DEBATE IN THE HOUSE OF REPRESENTATIVES. 134

E. G. SPAULDING, of New York.	134
GEORGE H. PENDLETON, of Ohio.	136
JUSTIN S. MORRILL, of Vermont.	138
ROSCOE CONKLING, of New York.	140
WILLIAM P. SHEFFIELD, of Rhode Island.	141
FREDERICK A. PIKE, of Maine.	142
HENDRICK B. WRIGHT, of Pennsylvania.	142
VALENTINE B. HORTON, of Ohio.	143
WILLIAM KELLOGG, of Illinois.	144
BENJAMIN F. THOMAS, of Massachusetts.	145
ALBERT G. RIDDLE, of Ohio.	146
JAMES H. CAMPBELL, of Pennsylvania.	146
THADDEUS STEVENS, of Pennsylvania.	146

DEBATE IN THE SENATE. 148

WILLIAM PITT FESSENDEN, of Maine.	148
JACOB COLLAMER, of Vermont.	149
TIMOTHY O. HOWE, of Wisconsin.	151
HENRY WILSON, of Massachusetts.	151
JOHN SHERMAN, of Ohio.	152
EDWARD COWAN, of Pennsylvania.	153
JAMES A. BAYARD, of Delaware.	153
CHARLES SUMNER, of Massachusetts.	154

THE GREENBACK IN CONGRESS.

INTRODUCTION.

In 1861 the Government of the United States faced a great and costly war, with impaired credit and imperfect administrative machinery. The country was divided against itself; the national finances were drifting toward an abyss of deficit and default; a system of State banks, often based upon neither property nor true credit, interfered with any general plan of currency reform; the State bank notes could not be received into the Treasury of the United States, and before the end of the year the banks in the great cities had paid to the Government \$150,000,000 in coin (gold), being a great part of their holdings. It was doubted if any further loans could be negotiated with success or advantage to the Government. Nearly \$200,000,000 had been borrowed since July, but the loans were the only immediate means of obtaining revenue. The customs were unproductive, and there was no system of internal taxes.

Mr. Chase, the Secretary of the Treasury, submitted his report to Congress in December, 1861. He recommended taxes to produce an income of \$100,000,000 a year—a sum large enough in his eyes to require an apology; and further loans, among which was to be a loan without interest from the people. To accomplish this he proposed a Government control over bank issues.

“It has been well questioned by the most eminent statesmen whether a currency of bank notes, issued by local institutions under State laws, is not, in fact, prohibited by the national Constitution. Such emissions certainly fall within the spirit, if not within the letter, of the constitutional prohibition of the emission of bills of credit by the States, and of the making by them of anything except gold and silver coin a legal tender in payment of debts

“However this may be, it is too clear to be reasonably disputed that Congress, under its constitutional powers to lay taxes, to regulate commerce, and to regulate the value of coin, possesses ample authority to control the credit circulation which enters so largely into the transactions of commerce and affects in so many ways the value of coin.”—*Report for 1861, page 17.*

Two plans for accomplishing the result were laid before Congress by the Secretary: (1) To retire State bank issues by taxing them, and substitute for them United States notes, payable in coin. The advantages would be a loan to the Government without interest, and a uniform currency for the people.

“The plan, however, is not without serious inconveniences and hazards. The temptation, especially great in times of pressure and danger, to issue notes without adequate provision for redemption; the ever-present liability to be called on for redemption beyond means, however carefully provided and managed; the hazard of panics, precipitating demands for coin, concentrated on a few points and a single fund; the risk of a depreciated, depreciating and finally worthless paper money; the immeasurable evils of dishonored public faith and national bankruptcy: all these are possible consequences of the adoption of a system of government circulation. It may be said, and perhaps truly, that they are less deplorable than those of an irredeemable bank circulation. Without entering into this comparison, the Secretary contents himself with observing that, in his judgment, these possible disasters so far outweigh the probable benefits of the plan that he feels himself constrained to forbear recommending its adoption.”—*Report for 1861, page 18.*

The second plan was a circulation, based on United States bonds, or an adequate provision of specie, but issued by associations or institutions which must be responsible for its redemption—the outline of what later became the national bank system.

It will be seen that Mr. Chase deliberately put aside a Government issue of irredeemable notes, and threw his influence in favor of a national banking system, with notes issued under the control of that system. To this view he had come before the report was prepared. Before his recommendations could be acted upon in Congress the banks throughout the country suspended specie payments (December 28), gold went to a premium of 2 to 4 per cent., and the Treasury could no longer count upon coin or notes convertible into coin.

Meanwhile his report had been referred in the House of Representatives to the Committee of Ways and Means, composed of the following members: Thaddeus Stevens, of Pennsylvania, chairman; Justin S. Morrill, of Vermont; John S. Phelps, of Missouri; Elbridge G. Spaulding, of New York; Erastus Corning, of New York; John L. N. Stratton, of New York; Valentine B. Horton, of Ohio; Samuel Hooper, of Massachusetts, and Horace Maynard, of Tennessee. The sub-committee named to consider the subject of loans, currency and bank scheme were Spaulding, Hooper and Corning. Under the plea of necessity Spaulding drew a section of a bill providing for an issue of \$50,000,000 in Treasury demand notes, to be a "legal tender in payment of all debts, public and private," but afterwards made it an independent measure, and in that form it was laid before the full committee. Morrill, Horton and Corning were strongly opposed to it. Hooper was active in its favor, and Stevens, after some misgivings, gave it support. Phelps was absent, and the remaining two members were neutral. To support his measure Spaulding obtained from the Attorney-General a colorless opinion, which merely stated that the Constitution had no express prohibition of a legal-tender function, nor in his opinion did it contain an "inferential or argumentative prohibition." A change of one vote—that of Stratton—gave the bill a majority in its favor, and it was reported to the House on January 7—a measure of the Ways and Means Committee, not of the Treasury.

THE FIRST LEGAL TENDER ACT.

On January 7, 1862, Mr. Spaulding reported a bill from the Committee on Ways and Means authorizing the issue of \$100,000,000 of demand Treasury notes. The bill was read a first and second time by its title, referred to the Committee of the Whole on the State of the Union and ordered to be printed. On the following day, January 8, Mr. William A. Richardson, a representative from Illinois, introduced the following resolution, which was read, considered and agreed to:

"Resolved, That the Committee on the Judiciary be instructed to inquire into the power of Congress, under the Constitution, to make Treasury notes payable on demand a legal tender, and that they report the result of such inquiry at the earliest practicable day."

The Treasury note measure remained in the Committee on Ways and Means until January 22, when the Chairman reported as a substitute a bill authorizing the issue of Treasury notes, and for the redemption or funding thereof, and for funding the floating debt of the United States. On January 28 the debate opened in Committee of the Whole on the State of the Union. The section of the bill relating to the issue of notes was as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for temporary purposes, the Secretary of the Treasury be, and he is hereby, authorized to issue, on the credit of the United States, \$100,000,000 of United States notes, not bearing interest, payable to bearer at the Treasury of the United States, or at the office of the Assistant Treasurer in the city of New York, at the pleasure of the United States, and of such denominations as he may deem expedient, not less than five dollars each; and such notes, and all other United States notes, payable on demand, not bearing interest, heretofore authorized, shall be receivable for all debts and demands due to the United States, and for all salaries, debts, and demands owing by the United States to individuals, corporations, and associations within the United States; and shall also be lawful money and a legal tender in payment of all debts, public and private, within the United States; and any holder of said United States notes depositing any sum not less than fifty dollars, or other than a multiple of fifty, with the Treasurer of the United States, or either of the assistant treasurers, or either of the designated depositories at Cincinnati, or Baltimore, shall receive in exchange therefor duplicate certificates of deposit, one of which may be transmitted to the Secretary of the Treasury, who shall thereupon issue to the holder an equal amount in bonds of the United States, coupon or registered, as may be desired, bearing interest at the rate of six per cent., and redeemable at the pleasure of the Government after twenty years from date, or in sums not less than \$2,500, for which, if requested, the Secretary, if he deem it expedient, may issue similar bonds, the principal and interest of which may be expressed in the currency of any foreign country, and payable there. And such United States notes shall be received the same as coin, at their par value, in payment for any bonds that may be hereafter negotiated by the Secretary of the Treasury, and may be reissued from time to time, as the exigencies of the public service may require. There shall be printed on the back of the United States notes, which may be issued under the provisions of this act, the following words: 'The within note is a legal tender in payment of all debts, public and private, and is exchangeable for bonds of the United States bearing six per cent. interest.'"

DEBATE IN THE HOUSE OF REPRESENTATIVES.

SPEECH OF E. G. SPAULDING, ON NEW YORK.

A MEASURE OF NECESSITY.

Our finances deserve our most serious consideration. The ways and means of carrying on the war should enlist the grave consideration of every gentleman on this floor who desires the preservation of this Government. We were never in greater peril than at this moment. It will require all our best energies to successfully meet the crisis through which we are passing. I am oppressed by the magnitude of the work before us. But I will not, I dare not—I trust we shall not any of us—shrink from the responsibility of performing every duty devolved upon us in this great crisis of our national affairs.

The bill before us is a war measure—a measure of *necessity*, and not a choice, presented by the Committee of Ways and Means, to meet the most pressing demands upon the Treasury, to sustain the army and navy until they can make a vigorous advance upon the traitors and crush out the rebellion. These are extraordinary times, and extraordinary measures must be resorted to in order to save our Government and preserve our nationality. * * * The bill is simple and perspicuous in its terms, and easy of execution. It is a Government measure, and the officers of Government are required to execute its provisions.

By the time the Secretary of the Treasury can get these notes engraved, printed, and signed ready for use, all other available means at his command and in the Treasury will be exhausted. This measure is therefore presented under the highest prerogatives of Government. The army and navy now in service must be paid. They must be supplied with food, clothing, arms, ammunition, and all other material of war, to render them effective in maintaining the Government and putting down the rebellion. Having exhausted other means of sustaining the Government, this measure is brought forward as the best that can be devised, in the present exigency, to relieve the necessities of the Treasury; and I trust it will pass without delay. * * *

The duties received at the different custom houses, and the taxes levied at the extra session, or that may now be levied, will be wholly inadequate to meet the requirements of the Treasury in the present emergency during the next six months. If you cannot borrow the money on the credit of the United States except at ruinous rates of discount, and cannot make the new banking system available in time, and cannot realize the amount required from your tariff and tax bills, in what mode can the means be obtained and the Government be carried on? It is believed that the only way in which it can be done is by issuing Treasury notes, payable on demand, and making them a legal tender in payment of all debts, public and private, and by adequate taxation to be imposed by new bills. This will bring into full exercise all the higher powers of Government under the Constitution. * * *

The power in the Constitution to “lay and collect taxes, duties, imposts and excises” is general and unlimited. Congress has the power to levy and collect any amount of taxes that may be necessary to preserve its existence and pay all its *debts*. Government has a claim—a mortgage, in fact—on all this property to that extent. Will Congress do its duty by passing bills to collect these taxes? This is the vital question. Will Congress have the firmness and the courage to impose the necessary taxation to sustain the credit of the Government? Direct taxation, excises and internal duties are new features within the United States. They will be heavy burdens on the people, but essential to sustain the circulation of demand Treasury notes. * * *

This bill is a *necessary means* of carrying into execution the powers granted in the Constitution “to raise and support armies,” and “to provide and maintain a navy.”

THE CONSTITUTIONAL POWER.

The Constitution provides that “*all the laws necessary and proper* for carrying into execution the foregoing powers” may be passed by Congress.

If the *end* be legitimate, and within the scope of the Constitution, all the *means* that are appropriate, which are plainly adapted to that end, and which are not prohibited, may be constitutionally employed to carry it into effect.

If a certain means to be exercised of any of the powers expressly given by the Constitution through the government of the Union be an appropriate measure, not prohibited by the Constitution, the degree of its necessity is a question of *legislative discretion*, not of judicial cognizance.

The government of the United States is not prohibited by the Constitution from issuing Treasury notes on demand and making them a *legal tender* in payment of all debts within its jurisdiction. The Constitution (Article I., section 10) prohibits the *States* from making anything but gold and silver coin a legal tender in payment of debts; but this does not at all restrict the sovereign power of the United States. Congress has the power to coin money, “regulate the *value* thereof, and of foreign coin.” Gold and silver by long practice—a practice that has continued for centuries among all nations—has become the legal money of the world in all commercial transactions. Its real in-

intrinsic value is not as great as that fixed upon it by governments. All governments fix the value of gold and silver, and without their government stamp gold and silver would be a simple commodity, like other things having intrinsic value. Some governments fix the value of coin higher, and some lower; just as each for itself chooses to determine. Any other metal or thing that should be stamped, and its value regulated by all the governments of the world, would pass equally well in all commercial transactions gold and silver, although not intrinsically as valuable. Exchequer bills or Treasury notes, whose value is fixed by government and stamped as money, would pass as money in the payment of debts within the jurisdiction of the government fixing such value.

In regulating the value of "coin"—either foreign or domestic—Congress may provide that gold and silver shall be of no greater value in the payment of debts, within the United States, than the Treasury notes issued on the credit of this Government, which stamps such coin and fixes its value. These high powers of government have been frequently exercised by Great Britain during her continental wars in making the Bank of England notes receivable for public dues, and virtually in payment of debts, by a suspension of specie payments within the United Kingdom; and other governments of Europe have exercised the same high prerogatives whenever necessary to preserve their existence. But we are not left to this argument alone for constitutional power to issue these demand notes and make them a legal tender in payment of debts, as I will endeavor hereafter to show. * * * The Constitution provides that Congress shall have power to pass "all laws necessary and proper" for carrying into execution all the powers granted to the government of the United States, or any department or officer thereof.

The word "necessary," as used, is not limited by the additional word "proper," but enlarged thereby. * * * Congress may judge of the necessity in the present exigency. It may decide whether it will authorize the Secretary of the Treasury to issue demand Treasury notes, and make them a legal tender in payment of debts, or whether it will put its six or seven per cent. bonds on the market at various rates of discount, and raise the money at any sacrifice the money-lender may require to meet the pressing demands upon the Treasury. In the one case the Government will be able to pay its debts at fair rates of interest; in the other it must go into the streets shinning for the means, like an individual in failing circumstances and sure of being used up in the end by the avarice of those who may exact unreasonable terms. The Government needs, and should have in her present peril, the aid and protection of all patriotic citizens.

WHAT SHOULD BE DONE.

But, sir, knowing the power of money, and the disposition there is among men to use it for the acquisition of greater gain, I am unwilling that this Government, with all its immense power and resources, should be left in the hands of any class of men, bankers or money-lenders, however respectable and patriotic they may be. The Government is much stronger than any of them. Its capital is much greater. It has control of the bankers' money, and all the brokers' money, and all the property of the thirty millions of people under its jurisdiction. Why, then, should it go into Wall street and State street, Chestnut street, or any other street, begging for money? Their money is not as secure as Government money. All the gold they possess would not carry on the government for ninety days. They issue only promises to pay, which, if Congress does its duty, are not half as secure as United States Treasury notes based on adequate taxation upon all the property of the country.

Why, then, go into the streets at all to borrow money? I am opposed, in our present extremity, to all shifts of this kind. I prefer to assert the power and dignity of the Government by the issue of its own notes, pledging the faith, the honor, and the property of the whole loyal people of the country to maintain their circulation and provide for their redemption. * * * It is plainly within the scope of the Constitution that the Government should maintain itself, that the army should be supported, that the navy should be maintained. The ways and means of doing this are left to Congress to provide. Congress may do this entirely by taxation. It may provide by law to levy and collect taxes enough every year to pay the whole expenses of the war during each current year, and so "pay as we go." It may issue six per cent. bonds and sell them on the market for what they will bring—even if they will not sell for over fifty cents on the dollar—to raise money to carry on the war. It may issue Treasury notes, payable on demand, and make them a legal tender in payment of debts. Either one or all of these modes of paying the expenses of the Government is left to the discretion of Congress. Either mode is constitutional, and it is left to the *sound discretion* of Congress to decide which mode it will adopt, or whether it will adopt a part of each as being the best in the present crisis. * * * Our army and navy must have what is far more valuable to them than gold and silver. They must have food, clothing, and the material of war. Treasury notes issued by the Government, on the faith of the whole people, will purchase these indispensable articles, and the war can be prosecuted until we can enforce obedience to the Constitution and laws, and an honorable peace be thereby secured. This being accomplished, I will be among the first to agitate a speedy return to specie payments, and all measures that are calculated to preserve the honor and dignity of the Government in time of peace.

GEORGE H. PENDLETON, OF OHIO—January 29, 1862.

A NOVEL MEASURE.

I have examined, Mr. Chairman, with some care, every law authorizing the issue of Treasury notes which has been passed from the foundation of the Government up to this hour, and I find that this bill differs from all of them in several essential particulars. Every other law authorizing the issue of Treasury notes provided that they should bear some rate of interest, whereas these are to bear none; that they should be payable at a fit time prescribed in the note, whereas these are only to be payable at the pleasure of the United States; that the notes thereby authorized should be receivable in payment of public debts only by those who were willing to receive them at par, while these notes are to be received by every public creditor who is not willing to forfeit his right to payment at all. These notes are to be made lawful money, and a legal tender in discharge of all pecuniary obligations, either by the Government or by individuals, a characteristic which has never been given to any note of the United States or any note of the Bank of the United States by any law ever passed. Not only was such a law never passed, but such a law was never voted on, never proposed, never introduced, never recommended by any department of the Government; the measure was never seriously entertained in debate in either branch of Congress. The report of the Secretary of the Treasury, made at the opening of the session, contains no such recommendation. It is obvious from the comparison which I have drawn between the bill before us and the laws heretofore passed that if this bill shall pass we are about to take a departure from the settled financial policy of the Government. We are about to launch ourselves, with sails all set, upon an ocean of experiment, upon which the wise man who administered the government before we came into power, warned by the example of other nations, would not permit it even to enter. I believe that this Government has reached a crisis in its history. I believe that it is approaching a period in the history of its legislation which may determine the question of its continuance. By wisdom it may overcome the evils of secession; by its great powers and resources it may be able to defend itself against those in arms against it; but I firmly believe that it cannot maintain itself against the shock of the accumulated and manifold dangers which follow inevitably closely in the wake of an illegal, unsound and depreciated government paper currency.

The feature of this bill which first strikes every thinking man, even in these days of novelties, is the proposition that these notes shall be made a legal tender in discharge of all pecuniary obligations, as well those which had accrued in virtue of contract already made as those which are yet to accrue in pursuance of contracts which shall hereafter be made. Do gentlemen appreciate the full import and meaning of that clause? Do they realize the full extent to which it will carry them? Every contract for the payment of money is in legal contemplation a contract for the payment of gold and silver coin. Every promissory note, every bill of exchange, every lease reserving rent, every loan of money reserving interest, every bond issued by this Government, is a contract to which the faith of the obligor is pledged that the amount, whether rent, interest, or principal, shall be paid in the gold and silver coin of the country. Every contract for the performance of some other thing than the payment of money carries with it, as the penalty of its infraction, that damages shall be assessed, and that these damages shall be paid, even if necessary at the end of an execution, in the gold and silver coin of the country. Every verdict which has been rendered, every judgment which has been entered up, every decree for the payment of money, has been made upon that hypothesis. That is the measure of the obligation of the one party, and of the right of the other.

The provisions of this bill contemplate impairing the obligation of every contract of that kind, and disturbing the basis upon which every judgment and decree and verdict has been entered. It proposes to say to a party who has entered into a contract, "You shall be discharged from the obligations of that contract by doing something else than that which you have agreed to do." It proposes to say to every party with whom a contract has been made, "Though you are entitled to demand one thing, you shall, perforce, remain satisfied with the doing of another." It proposes to say, "Although you have agreed to pay gold and silver you shall be discharged upon the payment of these notes; although you are entitled to demand gold and silver, you shall rest content with the reception of this paper." It proposes, in one word, to release the one party from the obligation of its contract, and to divest the other party of the right which has been vested in him by that contract. I am sure I need only state the proposition to shock the minds of the legal profession of the country, so thoroughly has it been imbued with the idea of the sanctity of the obligation of contract by those who have taught it the beneficent maxims of constitutional law. * * *

NO CONSTITUTIONAL SUPPORT OF THIS POWER.

A power whose extent was so great as this was worthy to find a place in the express grants of the Constitution. I had expected to hear the gentleman from New York (Mr. Spaulding), in his argument upon this subject yesterday, derive this power from the power to "coin money." I am glad he did not, for I think that no stress of financial

difficulties could excite the honest imagination of any gentleman, even though upon the Committee of Ways and Means, to such a degree that he could, even in its wildest flights, fancy this power involved in those words. I expected to hear him derive it from the power "to regulate commerce"; in this I was agreeably disappointed. I know that clause is the stalking horse which is made to carry almost every conceivable power which any gentleman has thought it desirable at any time that Congress should exercise; and yet I know that Mr. Webster, who attributed to the government of the United States more power by reason of that clause than any other American statesmen of whom I have any knowledge, expressly and upon divers occasions scouted the idea that by virtue of it, or of any other clause in the Constitution, such power was given. I know it is extremely difficult to define with exactitude all the powers which Congress may have by virtue of that provision; but I think it might be left to any fair-minded man to say whether a law, which provides that a certain note issued by the Treasury of the United States shall be a legal-tender in discharge of debts already accrued, is a fair and legitimate exercise of a power to regulate the interchange of commodities, and their barter and sale.

The gentleman from New York [Mr. Spaulding], in his argument yesterday, deduced this power from the general powers of the Government. He told us that Congress had power to lay and collect taxes; to raise and support armies, to provide and maintain a navy; and that all power necessary to effectuate these purposes was expressly given by the general grant of the Constitution. If I should admit his statement in the very language in which he has made it, am I not entitled to ask whether he has shown us any legitimate connection between making these notes a legal-tender and the power to raise an army? Might I not ask whether the repudiation of the obligations of the Government to pay its interest is a legitimate means for providing and sustaining a navy? Whether impairing the obligations of contracts between private individuals throughout the country will, in any degree, assist the Government in its great duty of laying and collecting taxes? We had no demonstration of the necessity or propriety of these means to accomplish those ends.

The gentleman spoke quite at large in reference to the sovereign power of the Government. He told us that this power was not prohibited in the Constitution. He told us that in times of great emergency everything may be done except that which is prohibited; and he read an argument from the Attorney-General which concludes as it began, with the proposition that such a power is not prohibited to Congress. I repudiate this whole idea. I think it has no solid foundation in the Constitution. In all its external relations, standing among the nations of the earth, the Government of the United States is sovereign and is invested with all the attributes of sovereignty; but in its relations to its own citizens, in its relations to the States, in its relations to its own constituents, it has no power except that which is granted. It has no original power; its powers are all delegated, and delegated by the terms of the Constitution itself. I repudiate the idea that all the sovereign power which rightfully resides in the nation must necessarily find expression in any department of the Government, whether it be national or state. I stand upon the provision of the Constitution that all power which is not delegated to the Federal Government is reserved from it and that all power which is not delegated to it, and thereby reserved from it, resides either in the States or in the people. There are many powers which are denied by the Constitution to the States and yet not delegated to the general Government. They find their proper repository in the people. * * * When I come to examine the powers of Congress, according to the principles of interpretation to which I have said I adhere, I look to the grants of the Constitution. I find no grant of this power in direct terms, or, as I think, by fair implication. It is not an accidental omission; it is not an omission through inadvertency; it was intentionally left out of the Constitution, because it was designed that the power should not reside in the Federal Government. * * * It seems to me that if the language of the Constitution and the weight of authority can settle any proposition, it is that Congress has not the power to do that which it is proposed shall be done by the provisions of this bill.

* * * * *

[At this stage of the debate a letter was read from the Secretary of the Treasury urging immediate action on the subject of affording provisions for the expenditures of the government, containing the following paragraph:

"The provision making United States notes a legal tender has doubtless been well considered by the committee, and their conclusion needs no support from any observation of mine. I think it my duty, however, to say that in respect to this provision my reflections have conducted me to the same conclusions they have reached. It is not unknown to them that I have felt, nor do I wish to conceal that I now feel, a great aversion to making anything but coin a legal-tender in payment of debts. It has been my anxious wish to avoid the necessity of such legislation. It is however, at present impossible, in consequence of the large expenditures entailed by the war and the suspension of the banks, to procure sufficient coin for disbursement; and it has, therefore, become indispensably necessary that we should resort to the issue of United States notes. The making them a legal-tender might, however, still be avoided if the willingness manifested by the people generally, by the railroad companies, and by the banking

institutions, to receive and pay them as money in all transactions were absolutely or practically universal; but, unfortunately, there are some persons and some institutions which refuse to receive and pay them, and whose action tends not merely to the unnecessary depreciation of the notes, but to establish discriminations in business against those who, in this matter, give a cordial support to the government, and in favor of those who do not. Such discriminations should, if possible, be prevented; and the provision making the notes a legal-tender, in a great measure at least, prevents it, by putting all citizens, in this respect, on the same level, both of rights and duties.

The Committee, doubtless, feel the necessity of accompanying this measure by legislation necessary to secure the highest credit as well as the largest currency of these notes. This security can be found, in my judgment, by proper provisions for funding them in interest-bearing bonds, by well guarded legislation authorizing banking institutions with circulation based on the bonds in which the notes are funded, and by a judicious system of adequate taxation which will not only create a demand for the notes, but—by securing the prompt payment of interest—raise and sustain the credit of the bonds. Such legislation, it may be hoped, will divest the legal-tender clause of the bill of injurious tendencies, and secure the earliest possible return to a sound currency of coin and promptly convertible notes." * * *

To Mr. Spaulding the Secretary wrote, on February 3:

"I came with reluctance to the conclusion that the legal-tender clause is a necessity; but I come to it decidedly and support it earnestly. I do not hesitate since I have made up my mind. * * * The conclusion I have arrived at has convinced me that it is important to the success of the measure."]

JUSTIN S. MORRILL, OF VERMONT—February 4, 1862.

The subject of issuing \$150,000,000 of paper currency and making it a legal-tender by the government at a single bound—the precursor, as I fear, of a prolific brood of promises, no one of which is to be reckoned in the constitutional standard of the country—could not but arrest my attention, and having strong convictions of the impolicy of the measure, I should feel that I utterly failed to discharge my duty if I did not attempt to find a stronger prop for our country to lean upon than this bill—a measure not blessed by one sound precedent and damned by all. * * *

If this paper money is a war measure, it is not waged against the enemy, but one that may well make him grin with delight. I would as soon provide Chinese wooden guns for the army as paper money alone for the Treasury.

What is it that we most need? Clearly we lack money, and wish to inspire our own people with that confidence that will induce them to lend the requisite amount. But the very first step we propose is one to destroy whatever of confidence yet remains among those who have a dollar to lend. We proclaim by an engraved advertisement—to be forced into the pockets of every man by the fiat of the government—that we will hereafter liquidate all our debts with paper only. With such a stamp on our foreheads, it cannot be expected that we shall find either patriotism or selfishness hereafter prompting anybody to volunteer to take a single bond more of the United States. Some unhappy contractor may be caught, and forced to accept in payment of existing debts the ill-starred notes and bonds, to be disposed of as fancy stocks for the most they will bring. But, profiting by experience, no contractor will be caught the second time without securing an ample margin to enable him to deal at last with the Jews on the Rialto. When the bonds of the same government can be had, with same rate of interest, and the same time to run, for less than 90 cents on the dollar, and be paid for in bank paper worth three and a half per cent. less than par, it requires a stretch of the imagination to see anybody walking up to our worthy Secretary of the Treasury and tendering one hundred cents on the dollar for just the same thing. * * *

It is pretended that as the whole United States are holden for the redemption of these notes they must be good, and will, therefore, pass at par, especially if made a legal tender. Never was a greater fallacy. The United States are abundantly able to meet all the vast exigencies of this war, to pay all liabilities, only put them into the proper form. It cannot be done on demand, and it is a fiction to pretend to do so. They must be funded until the means can be accumulated for their redemption. As a mere currency no more of them can be used than enough to fill the demands of commerce. That measure is the extent they will go, and it is clear and well defined. * * * I object to this bill on the ground, as I conceive, of its utter impolicy. I admit that from the contracts entered into—many of which, now due, I regret have not been paid as promptly as they deserve to be, and from the heavy monthly disbursements to our armies, that the government can flood the country with even \$150,000,000 of paper dollars. But from that moment you would vastly increase the cost of carrying on the war; prices would go up, and the addition we should pile upon our national debt would prove that it might have been even wiser to have burnt our paper dollars before they were issued. The inflation of the currency would be inevitable. In ordinary times few comprehend the Archimedean leverage of a very few millions added to or subtracted from the currency of a nation actively engaged in the affairs of the world. In the former case it produces a crisis and general bankruptcy, and in the latter it puts every speculator on tip-toe to buy out his neighbor—his horse, his ox, his ass, or anything that by keeping

over night will put money in his purse. Property becomes as volatile as alcohol at boiling heat, and cannot be kept within its ancient boundaries. The poor man, accustomed to butchers' meat, and who has not counted tea and coffee as luxuries, suddenly finds their daily use beyond his means. The ecstasy of an inflated currency is enjoyed by the few only, and these are cruelly punished when the gaseous influence subsides. * * *

The question of the constitutionality of this bill, although a grave one, I do not propose to discuss, especially as it will undoubtedly be examined by far abler hands. It will be conceded that the power is nowhere contained in the letter of the Constitution, and that, in all our history since the adoption of the Constitution, it has never been exercised. It is an inferential or doubtful power, lodged wherever gentlemen may choose to place it, and liable, as I presume this debate will show, to change its lodging-place like members of Congress, at very short notice. I should, therefore, regret to see such a power, if it exists at all, exercised at this time. The Constitution, in giving Congress the power to levy and collect taxes, gives us ample power, so long as taxable property in the greatest abundance exists, to make loans and protect the public credit. In this great crisis of our country, if we expect to retain the semblance of freedom, if we expect to retain any of the features of a Republican form of government, if we hope ever to see the epaulets stripped from the great host of military officers, now ready to go forth to battle, and their swords laid aside, we must hold every department of the Government and every officer to a strict adherence to the Constitution and the laws. We are the custodians of the destinies of our country, and must not provoke the inquiry, *who shall take us into custody?*

The power to "coin money, regulate the value thereof, and of foreign coin," has been exercised often and not too wisely, but it had never been construed to cover the alchemical transmutation of paper into gold and silver. * * * By making paper a legal tender, no more specie will be seen, except through offers of rewards to draw it from its hiding places, until we emerge from our present difficulties, and not for an indefinite period, perhaps, thereafter. The three hundred million dollars of specie said to be in the country, though I think there is not quite so much, will be hoarded, and remain useless and idle for the rest of the war. I am for keeping this, the vital fluid of commerce, in healthy, active circulation. * * *

The fact in relation to the suspension of specie payments by the Bank of England from 1797 to 1823 are cited to prove the soundness of the policy proposed now of making paper a legal tender. The gentleman from New York [Mr. Spaulding] stated, and others may have done so, that the notes of the Bank of England were made a legal tender at the time referred to. This, I think, is a mistake. The bank was prohibited from paying out specie for them, and they were received and paid out in all business transactions by the bankers of London and others by mutual consent, but they were not made a legal tender. The English Government did not stain their reputation with such an act. * * *

But why did not the gentlemen cite a more recent case, and one exactly in point—that of Austria? Simply because *that*, as all others recorded in history have been, was a total failure. Austria undertook this process of making forced loans—for it is really nothing less—by making government paper a legal tender, and it proved a miserable failure. Their paper fell (or gold bore a premium, which is the same thing) 40 per cent. The Mexican mode of violent seizure is far more efficient, and about equally sound in morals. * * * By taking the first step in making paper a legal tender we shall sever all connection with any other fountains of supply. We cannot retrace our steps, but must go on. No sane man would spontaneously take stock liable by the practices of the Government to be reduced the very next day 10 per cent., or any other per cent. in its value. So that if Congress should have the virtue to wish to cease the further issue of these notes it would no longer be an open question. But, having tested this facile mode of paying debts, I fear the stern and honest mode of taxation would be repugnant to many constituencies, and that the doors of the temple of paper money would not soon again be closed. Gentlemen may think otherwise, but like a certain heroine, who

"Said she'd ne'er consent, and consented still,"

Congress would consent. If we have not the virtue and power to resist the temptation now, while our reputation is spotless, we shall have still less when the whole country becomes debauched.

Upon one point there can be no dispute. The Constitution expressly declares that Congress shall pass no *ex post facto* law. Can we pass a law compelling the acceptance of paper in view of standard coin in contracts made one, two or five years ago? If the coin is only worth three and a half per cent. more than paper, is it not to that extent an *ex post facto* law and as much a violation of the Constitution as any law of a state could be "impairing the obligation of contract"? The right to change the standard of coin exists, but the right to create a standard of paper, and give no option, is a novelty. In the early days of our country it was the custom to make notes for merchantable neat stock in due form, with the addition of "bulls and stags excepted." Hereafter all contracts will need to be made payable in coin, or with the addition of "United States bulls and rags excepted." If the provision making the notes a legal tender should unfort-

unately pass, it certainly ought, in equity, to provide that it shall only apply to contracts hereafter made. * * *

I maintain that the bill, as reported by the Committee of Ways and Means, should not pass, because it would infinitely damage the national credit; because it will cut off all other chance of supplies; because it will reduce our standard of legal tender already sufficiently debased; because it will inflate the currency and increase manyfold the cost of the war; because it would slide into the place of proper taxation; because, as a resource, it must ultimately fail and tend to a premature peace; because it is a question of doubtful constitutionality; because it is an *ex post facto* law, and a breach of the public faith; because it will at once banish all specie from circulation; because it will dampen the ardor of men at home as well as soldiers in the field; because it will degrade us in the estimation of other nations; because it will cripple American labor, and throw at last larger wealth into the hands of the rich, and because there is no necessity calling for such a desperate remedy.

ROSCOE CONKLING, OF NEW YORK.

I propose to assign my reasons briefly for voting against the attempt by legislation to make paper a legal tender. The proposition is a new one. No precedent can be urged in its favor; no suggestion of the existence of such a power can be found in the legislative history of the country; and I submit to my colleague, as a lawyer, the proposition that this amounts to affirmative authority of the highest kind against it. Had such a power lurked in the Constitution as construed by those who ordained and administered it, we should find it so recorded. The occasion for resorting to it, or at least referring to it, has, we know, repeatedly arisen, and had such a power existed it would have been recognized and acted on. It is hardly too much to say, therefore, that the uniform and universal judgment of statesmen, jurists and lawyers has denied the constitutional right of Congress to make paper a legal tender for debts to any extent whatever. But more is claimed here than the right to create a legal tender heretofore unknown. The provision is not confined to transactions *in futuro*, but is retroactive in its scope. It reaches back and strikes at every existing pecuniary obligation. This is well put by the gentleman from Ohio [Mr. Pendleton] and I concur with him, that substituting anything for gold and silver in payment of debts, and still more of precedent debts, is of very doubtful constitutionality.

A memorandum from the Attorney-General was produced here the other day, and the context in which it was read would indicate that it made something for this bill. I do not so understand it; on the contrary, if the Attorney-General has stated all that he can say in favor of the bill the plain conclusion to be drawn from his opinion is that it has no warrant in the Constitution. He says the Constitution contains no "prohibition." That is not the question. In looking for a power in the Constitution of the United States the point is precisely the reverse. The Constitution of the United States is an instrument of delegated and enumerated powers, and Congress has no powers except those which the Constitution confers. Not so with the Legislatures of the States; they have all the residuum of legislative power. In looking, therefore, for a power in the Constitution of a State, the question usually is, Has it been taken away or forbidden? But, in looking at the Federal Constitution the question is: Has the power been given; is it there? Can you put your finger upon it among the grants of the Constitution? If not, if it is not there at all, you have not the power, and there is an end of the whole matter.

But, passing, as I see I must, from the Constitutional objections to the bill, it seems to me that its moral imperfections are equally serious. It will, of course, proclaim throughout the country a saturnalia of fraud, a carnival for rogues. Every agent, attorney, treasurer, trustee, guardian, executor, administrator, consignee, commission merchant, and every debtor of a fiduciary character who has received for others money, hard money, worth a hundred cents in the dollar, will forever release himself from liability by buying up for that knavish purpose, at its depreciated value, the spurious currency which we shall have put afloat. Everybody will do it, except those who are more honest than the American Congress advises them to be. Think of savings banks, intrusted with enormous aggregates of the pittance of the poor, the hungry and the homeless, the stranger, the needlewoman, the widow and the orphan, and we are arranging of a robbery of ten if not of fifty per cent. of the entire amount, and that by a contrivance so new as never to have been discovered under the administrations of Monroe, Adams, or James Buchanan.

To reverse the picture. After the act shall have gone into effect, honest men undertake transactions based upon the spurious tender at its then value. By and by comes the repeal, and they are driven to ruin in multitudes by the inevitable loss incident to a return to a metallic currency.

I understand there are forty thousand petitioners in both houses now praying for the passage of a bankrupt law. Provision will have to be made, on a scale of bankruptcy more liberal and gigantic than England ever saw, for the relief of honest people who will be cheated and ruined under the legal tender system now proposed, if the country tries the experiment and survives it. But, surmounting every legal impediment, and

every dictate of conscience involved, viewing it as a mere pecuniary expedient, it seems too precarious and unpromising to deserve the slightest confidence.

The whole scheme presupposes that the notes to be emitted will be lepers in the commercial world from the hour they are brought into it; that they will be shunned and condemned by the laws of trade and value. If this is not to be their fate, what is the sense, as was said in the Federal Constitutional Convention, in attempting to legislate their value up?

Now, I do not believe that you can legislate up the value of anything any more than I believe you can make generals heroes by legislation. The Continental Congress tried legislating values up even by resorts to penalties, but the inexorable laws of trade, as independent as the law of gravitation, kept them down. I do believe you can legislate a value down, and that you can do it by attempting to legislate it up. * * *

The only consideration which weighed with me in favor of this legal tender scheme was, that the People, the Government having taken the coin from the banks, would be unable to pay their taxes in coin because they could not get it. That is a good suggestion, and all we need to meet is a very simple provision having none of the objections to making paper pay debts indiscriminately. You only want in the bill we pass the old doctrine of recoupment and set off, and then the citizen can pay his tax in Government issues. That is a sound and equitable doctrine. It is as old as the Common law of England; as old as the civil law of Rome. It means merely this: If my friend here has my check, which has not been paid, and I have a tax or a debt against him, he may pay that tax or debt with the check, setting off one against the other and settle it. You need no legal tender for that.

But shall it be said that because we all agree that the Treasury notes to be issued should be receivable for taxes we shall go further and hoist flood-gates of fraud by making these notes pay debts to the amount of their face, when the bill virtually admits that they will be worth but ninety cents in the dollar on the day the law takes effect? No; and I thank God that the great State of New York, which carries one-fifth of the burdens of the nation, and which has loaned for years to the Government ninety per cent. of the money it has borrowed, I thank God that the State of New York has in the popular branch of her legislature set the seal of her disapprobation upon this monstrous proposition by a vote of almost two to one. Such a step, if it should ever be taken by a government, should be taken only when everything else has failed and the last extremity has been reached. It is the last expedient to which kings and nations can resort. When you clothe an individual with the power to give his own checks to pay his debts and supply his wants, when he has nothing with which to pay them, and when you ordain that every man shall receive his check, you have performed for that man the last sad offices of financial humanity; there is nothing left to be done for him; and, if he fails then, he is past resuscitation and past resurrection. So of a government; you may try any other expedient with impunity, and, if it fails, you have remaining a resort to other things; but if you once authorize the issue and compel the acceptance of its own paper, and that proves to be a failure, there is nothing left; the die is cast; the last link is broken. * * *

WILLIAM P. SHEFFIELD, OF RHODE ISLAND.

Looking into the Constitution which created a government with limited powers, can we fairly deduce from any of its provisions the power to declare, by legislative enactment, that demand notes shall be a legal tender? The power is nowhere expressly given. Is it fairly implied from the powers which are given? The Constitution authorizes Congress to borrow money, to coin money, and to regulate its value; and by these means alone I apprehend that it was designed by the powers of the Constitution that we should support our army; that we should provide and maintain a navy; in a word, that we should carry on the Government. Congress is given these express powers. * * *

But I did not rise for the purpose of discussing that (Constitutional) question. I am opposed to the tender clause in this bill for another reason. In my judgment it is dishonest. That is a sufficient reason to induce me to vote against it. We have contracted with these men, who are the public creditors, and have promised to pay them money, and they had given us their merchandise, or given us their labor, upon the faith of that promise. Who is to trifle with the nation's faith? It seems to me that those men do it who support this bill. We have told these men that we would pay them in money. By this bill it is proposed that we shall give them paper. They ask us for bread and we give them a stone. * * *

But the legal tender clause in this bill is the most odious feature of the system. Send out your bills with a declaration upon their face that you have not confidence in their value and who will take them? Yet the very fact that you propose to force them upon the public against the will of the people implies that force is necessary in your judgment to induce the people to take them. Men are so constituted that they do not like to be deprived of their free agency. They are not willing to be forced to do anything, not even that which without force they would be entirely willing to do. Let one or two men in a neighborhood who have the specie wherewith to pay their debts go and sell that specie for a premium and then buy Treasury notes and pay their

debts with them, while they pocket the difference between the two values and throw the loss upon their creditors, and you will, by this simple act, raise the sense of justice of a full community against this system; yet who is there that has any knowledge of human affairs that does not know that this will be one of the practical results which will follow the passage of this bill. The ingenuity of man could not, in my poor judgment, have devised a scheme of finance better calculated to injure our country and all of its interests than that which has been presented in the two bills of the Committee of Ways and Means.

FREDERICK A. PIKE, OF MAINE. FEBRUARY 5, 1862.

Upon the clause in this bill, providing that the notes shall be a legal tender, there has been much discussion here and elsewhere. Its importance to the success of the measure cannot be overestimated. I regard it as the life of the plan. Strike it out and we are but duplicating an issue of notes already at a discount. It is really the specie clause, and no hard money man—and I claim to be one—should vote for the issue of these notes without it. Objections have been made that it is unconstitutional—and a word upon that point.

In my judgment any measure of finance now assumes the highest character. The existence of the Government depends upon the successful administration of the finances. Crippled here we are balked everywhere. Upon the consideration of every financial measure there might well present itself anew the same question so fitly put by President Lincoln, in his message to Congress in July: "Is it better to assume powers, the exercise of which shall violate a portion of the Constitution rather than allow the whole to be destroyed?" and the country came to the paradoxical conclusion that it was his duty, as President, to violate the Constitution in order to preserve it. * * * I have a high respect for the motives of gentlemen who discover so many constitutional objections to contemplated action; but for myself, I have concluded that whatever has a tendency to furnish means to suppress this rebellion, and affords a reasonable probability of hastening the consummation of what all loyal men so much desire, is perfectly constitutional. Nothing but an absolute prohibition would prevent me from adopting a measure which answers these conditions. I will never render to my people as a reason why I voted against such a measure that I deemed it unconstitutional, nor will I assist this Congress in proclaiming to the world and sending down to posterity the lack of constitutional power as a reason for failing to enact any law which will have a tendency to preserve this Union. This is no time for the exercise of thin constitutional pedantry. Let us act boldly and forcibly, and so discharge the high and solemn duty imposed upon us infinitely better than if we shrunk from action under fear of constitutional scruples." * * *

The objection which is supposed to be fatal to the constitutionality of this measure is that it impairs the obligation of contracts. But granting that the prohibition in the Constitution—of State action with reference to contracts—extends to Congress, still the objection has no validity. The legal effect of all contract language is to pay the sums specified therein in *legal currency*. * * * As to the expediency of making these notes a legal tender I have no doubt. Those who favor the issue of the notes and oppose this clause present this anomalous position. They favor the issue of the notes for \$100,000,000 for the purpose of paying creditors to whom that sum is due. They say to our Treasurer: "You will take these notes and pay Government debts with them at par." A Government creditor will be obliged to take these notes or wait, without interest, until that happy period in the future when the Government shall resume the payment of specie in the discharge of its indebtedness. Thus then, the Government will pay its creditor \$1,000 in bills in full discharge of a debt of \$1,000, and still it will not authorize that creditor to pay a debt he owes John Doe, for the same sum, with the same money. In this way it is tacitly acknowledged that the indebtedness of the Government, which represents all property, is not so valuable as that of the private citizen, who represents but a small faction of that property. If this be not the meanest kind of bankruptcy, I do not know the meaning of the term. * * * If we cannot pay our creditors in gold and silver let us come as near it as possible. It is not doubted by anybody that making the notes a legal tender will add to their value in the hands of Government creditors. It is a kind of indorsement that cannot possibly injure the circulation of the note in any event, even if declared by the courts as of no validity, and will, for a time at least, add considerably to their money value. If not exchangeable for specie, they will come nearer to being of the same value. * * *

HENDRICK B. WRIGHT, OF PENNSYLVANIA.

I have an abiding faith in the honesty, the honor, and the integrity of the American people; and I believe they will not stand idly by, withhold their treasures, or only contribute them grudgingly, when they are to be used in saving the Government. Therefore, I am one of those who do not wish, in this great emergency, to resort to a subterfuge. If we have money let us bring it into use. I will vote for taxation to the very uttermost limit. The people have means enough in their hands. As the gentleman from Maryland [Mr. Crisfield] said this morning, in his well-timed remarks, if we must resort to a thing of doubtful expediency, let that resort be made as the last act of the

drama. Let us not commence at the ontstart by attempting to do, in the first place, an unconstitutional act, and in the second place by putting ourselves into positions which will, in my opinion, bring upon the country a worse ruin than the arms of rebels have already brought upon it. If I were clear in my own mind that Congress had the right and power to make paper money a legal tender with reference to all the transactions of government, even making its application retrospective as well as prospective, I should have no hesitation in casting my vote in favor of this bill. If we are compelled to flood the country with an issue which has no time for redemption, that being at the pleasure of the Government, I would clothe the issue with all the power which the Government has to give it currency. * * * If Congress, in its attempt to put this currency upon the country must, in the first place, trample on the provisions of the Constitution to affect that, and must, besides, run the risk of what view the Supreme Court may take of the measure, I ask whether it is wise, prudent and just, to incur such risks and hazards. * * * How can I, under the oath which I have taken here to support the Constitution, vote to sustain the principles contained in this bill, namely: That Congress has the power to emit not only bills of credit, but to make these bills of credit a legal tender in all transactions of the Government, and among people everywhere in the country, giving it a retrospective as well as a prospective effect.

It is said—that this is among the great powers of the Government. Why all the powers that this Government has under the Constitution are powers delegated to it by the several States which thus met in convention. There is no such thing in construing the Constitution as inference. There is nothing to be implied. The States that met together in convention clothe Congress with all the powers in express terms that Congress can legitimately exercise under the Constitution. Who doubts that? Who can gainsay that proposition? * * * This bill proposes to throw on the country, according to the terms of the first section, \$100,000,000 of Treasury notes, payable at no time, payable nowhere—payable at the pleasure of the Government—and the astounding clause is added, that these Treasury notes, payable at no place and at no time, shall be lawful money and a legal tender in payment of all debts, public and private, within the United States. Now, I submit it to this committee, as a matter of law, as a correct conclusion from the Constitution itself, that you cannot, under the Constitution of these United States, make anything but gold and silver a legal tender on contract. I come to this conclusion because there is no such written power in the Constitution. I come to it because the members of the convention which framed the Constitution had this very question before them, and decided it by a vote of nine States on the one side to two States on the other. Now, gentlemen who are in favor of passing this bill must not pretend to say that its provisions accord with the principle, the spirit, or the letter of the Constitution. If they ask us to throw this issue upon the country as a measure of expediency, disregarding the provisions of the Constitution, that is another question; but they must not pretend that they are doing a constitutional act in the emission of bills of credit, because I do not think that, under the terms of the Constitution, Congress has power even to emit bills of credit, much less to make these bills of credit a legal tender in regard to contracts between private parties or between the Government and the parties with whom it is dealing.

Under the power of Congress to coin money there is certainly no power to emit bills of credit. Under the terms of the Constitution, giving to Congress the power to regulate commerce with foreign nations and among the several States, there is certainly no power to emit bills of credit. And under the concluding clause of that section, giving to Congress power to pass all laws that shall be necessary and proper for carrying into execution the foregoing powers, it cannot be contained, because the Constitution gives to Congress the power to do only those things which had been enumerated in the foregoing sections.

VALENTINE B. HORTON, OF OHIO.

I do not expect by anything I shall say to convince any man who has already examined this question; but still I wish to utter my voice of warning against being driven by a supposed and asserted imperious necessity into this measure. It is conceded to be against all the teachings of experience, against all our habits of thinking, against all our sentiments of right, and against all our opinions about political wisdom and prudence.

It has been asserted upon this floor, with the utmost apparent sincerity, that this is a measure not of choice but of necessity. But that assertion is only reiterated, not proved. Where is the proof that it is a matter of necessity? There may be proofs abundant, but they have not been produced, so far as my knowledge or observation extends. They may exist outside, or they may possibly exist here; but they have not been made apparent so far as I have been able to discover. * * * I have said that the necessity for this measure has been asserted but not proved. Of course, I speak with no disrespect of the speeches which have been made upon this floor; but I have failed to hear any *argument* that it is necessary. I know perfectly well that the Secretary of the Treasury thinks that it is necessary, and I have the utmost confidence in his ability and zeal. I think he is mistaken. At any rate, whether he is mistaken or not, he has not furnished us with *proof* of the correctness of his opinion. I think

I can give some reasons for my belief that he is mistaken, and until reasons can be given that will overbear these, I think that we ought to conclude that a necessity does not exist for us to blight the fair fame of the government, to impair the public morals and to set afloat the ship of state in a fog on a sea of bubbles where no human skill can direct or control it, and where ruin is as inevitable, as cause is sure to precede effect. The proofs I offer are these: There is no want of money; there is no want of patriotism; there is only one little thing wanted which, in the phrase of the old story is "the grand confidence." * * *

WILLIAM KELLOGG, OF ILLINOIS.

This subject of the issuance of Treasury notes is important in this connection. The proposition directly before the committee at this time is simply this: Whether now that we must have money, now that we must have a currency, we shall have a good currency, or a bad currency. The question is in relation to the issuance of these notes; and the great question is whether they shall be made by law of value, whether, in other words, they shall be made a legal tender; whether that provision shall be attached to them by the direction of the legislative department of the government, or whether we shall fail to make that provision so that the harpies, when they have gorged themselves, may befoul all else of the feast? It is a question whether we shall have a currency that will pass by law and have intrinsic value, by the operation of law in this, that it pledges all the capital of the nation for the ultimate redemption of the notes; whether for that reason we shall have a currency that shall pass from hand to hand, or whether we shall have a currency that shall be placed at the mercy of the banking institutions of the brokers of the country who will seek to, and doubtless succeed, in its depreciation?

The exigencies of the times require some action upon this subject; but the exigencies of the times do not require me, and never will require me, to vote for a law that is in violation of the Constitution, whether in the shape of this bill or any other bill, for the purpose of carrying on this government; for when the Congress of the United States itself violates the Constitution, it is mockery to say that we are carrying on a war under the Constitution for the purpose of maintaining the Constitution.

But upon this subject, in looking over the history of the country, in looking through the judicial and legislative judgment in relation to this power, I have satisfied myself that we have fairly the power under the Constitution to make these notes a legal tender; in other words, to give them value by means of legislation, in the manner I have before indicated, in pledging the entire property of the country for their ultimate redemption.

It is said there is no power to make them a legal tender, and that that is not a legitimate way of expressing their value. If gentlemen are sure upon that subject, they would do well to run back a little further, and ascertain whether there is any power under the Constitution, vested in Congress, to issue the notes at all. And I confess the argument of the gentleman from Ohio [Mr. Pendleton] ran back legitimately to that proposition. At least it carried my mind back to that proposition so fairly and certainly that if I found no power to issue these notes, I would have voted against this bill. To that my mind has turned with every argument that has been made. I may have been obtuse, but I confess that I have come to the conclusion that we have the constitutional power to issue these notes; and having that constitutional power, we have, as an incident to that power, the power also to make them of value. * * *

I was saying that if we had the power to issue, we have also the power to fix the value of the issues. It is an incident to the power of issuance. It is to carry out in good faith that power. If you do not issue these notes to take the place of money—to represent money—then in God's name do not issue them. Do not give to the people that which they will not understand. Let there be no deception; let the creditors of the government know whether or not the government is trying to palm off upon them a spurious, depreciated currency under the guise of money. If we have the right to issue it, and to impress it with the denomination of five dollars, and pay it out for five dollars, why not stamp upon its face that it is five dollars everywhere? * * * I understand gentlemen all around me to agree that we should make them payable for the indebtedness of the government. I am certain that I heard the gentleman from Rhode Island [Mr. Sheffield] declare that he was willing to make these notes payable to the creditors of the government and receivable for government dues. But he said that it was dishonest to make them a legal tender between individuals. I was shocked at this declaration. Is it dishonest to make it a legal tender between gentlemen who are at home at their ease, and making money out of our complications and calamities; dishonest to compel them to receive it as currency, and honest to pay your six hundred thousand soldiers in the same currency? Is it dishonest to make the trafficker, the huckster, the broker, the banker and speculator take this money for their debts, and honest to pay it to our private soldiers who are fighting for this government at thirteen dollars per month—men who are our peers, our sons, our brothers; men who at this inclement season are undergoing the hardships of the camp and the dangers of the battlefield? Dishonest, it is said, to pay these notes to the banks and compel them to receive them at par. Thank God! that there are few of them in Illinois. They have been mostly obliterated, as they

ought to be. * * * I say that the policy which makes payment in Treasury notes to the soldier proper and honest, and dishonest to make them a legal tender in payment of private debts, is a policy that I denounce as unjust and indefensible. I denounce and condemn it unless it shall be equally binding upon the citizen at home as the soldier in the field. To the wind with such logic, and to the devil with such morals. * * *

Well, now, what is a legal-tender? It is the fixed legal value of that which circulates as a medium; and by fixing the legal value of anything which becomes a currency you make it a legal-tender. If I owe you fifty dollars I may pay it in that currency to which is affixed a legal value; and when judgment is recovered against me for fifty dollars I can pay it in anything that is by law fifty dollars. When you fix the value of coin, of lead, or iron, or copper, and of the alloys in gold and silver, you establish a legal-tender, and that is all there is of it; and I say you can do it in a note as well as in coin of any kind. * * *

BENJAMIN F. THOMAS, OF MASSACHUSETTS.

* * * Though the legal question has not been judicially settled, I feel compelled to say that the weight of reason and authority is strongly against the validity of the clause making the Treasury notes legal tender. If the validity of the provision be doubtful even, and it becomes, as it inevitably would, the subject of contest and litigation in the courts, the effect upon the credit of the paper will, in my judgment, be worse than if the tender clause had been wholly omitted.

I have a word or two to add upon the justice of this clause of the bill. To make these notes legal tender for debts, private and public, contracted before the passage of the bill, seems to me a clear breach of good faith. Debts are obligations or promises to pay money, the only money known to the Constitution and the laws, the universal equivalent, having not merely intrinsic value, but being the measure and standard of value. Paper is not *money*. The draft bill or note is the mere *sign*; money is *the thing signified*. Said John Locke: "Men in their bargain contract, not for denominations or sounds, but for the *intrinsic value*."

This bill changes the condition and practically impairs the obligation of every existing contract to pay money. When the contract to pay money matures, this bill compels the creditor to take for his debt not money, not even paper convertible into money on demand, but the promise of government to pay at a future day uncertain. It is a perfect answer of the creditor to this proposition to say: "That is not my agreement; a mature debt is not paid by a promise to pay." But further; the faith of the contract is broken because the creditor is not paid in gold or silver, nor in that which is equivalent to gold and silver. He neither gets the coin nor its value in any form; the money, nor the money's worth. * * *

This provision of the bill in the nature of a forced loan is in itself a confession of weakness. It seeks to compel credit for the reason that it does not come spontaneously. It assumes that force is necessary to uphold that which must stand on its own legs or cannot stand at all. Credit is faith; is trust; is confidence. If you faithfully keep your promises; if, by taxation, you avail yourselves of all the resources of the country for the salvation of the country; if you keep always in view the end for which this conflict is waged; if, in seeking to enforce the Constitution and the laws, you show a readiness yourselves to obey the Constitution and the laws, you will win credit; you cannot command or enforce it. It will follow in the footsteps of rectitude; you cannot drive it before you. You may, by this bill, say that paper is money; give the same names to things vitally different. The essential difference will be none the less clearly perceived and strongly felt. It is no want of respect to say to you, you cannot change the nature of things.

The friends of this feature of the bill, Mr. Chairman, admit the reluctance with which they assent to it. The only ground of defense is its necessity; that no alternative is left to us. I deeply respect their motives, but I cannot see the necessity.

We have spent a great deal of money in this war, and have wasted a great deal. But we are not impoverished. What we have spent is trivial in comparison to what is left. The amount up to this time will not exceed two years of surplus profit. It is not more than one thirty-second part of our whole property. Not a dollar of tax has been raised, and yet we are talking of national bankruptcy and launching upon a paper currency. I may be very dull, but I cannot see the necessity or the wisdom or such a course.

ALBERT G. RIDDLE, OF OHIO.

The quality to be exclusively relied upon to insure the circulation of a paper medium is the never-questioning confidence of a community in the ability and intention of its issuers to pay it. The paper, then, should bear on its face the highest proof of this ability and intention; and no mark or characteristic that would raise a doubt or lead to inquiry should mar it. When paper, whether issued by individuals, corporations or nations, is once issued, it is subject to precisely the same laws, and under the same circumstances will reach and produce similar results. In these respects no difference can exist. The name "national currency" may delude. The only possible difference that can exist between paper issued by a nation and that issued by an individual is, a nation

can write more evidences of its ability and intention to pay upon its obligations than can an individual. No other difference can exist. The making these notes receivable mutually between the government and its creditors and debtors, and also a legal tender, does not and can not fall within the evidence of the nation's ability and inclination to pay them ; nor can those characteristics in any way add to the stability of this currency or provoke a confidence in the people to receive them.

They are only facilities by which a most dangerous and unhealthy circulation will be stimulated and secured. I am prepared to make these notes receivable for the public dues, which does make them a qualified legal tender, I admit, and gives to those who contend for the main proposition a serious advantage in the argument ; but beyond that I will not go. The power to make these notes a legal tender is a constitutional vagabond, and find a lurking place nowhere in our system. The proposition that because the States only were prohibited this power, and therefore we may exercise it, needs no further refutation.

The grounds on which my distinguished colleague [Mr. Bingham] rests this power are most extraordinary. He says that the Constitution has conferred no power upon Congress at all in reference to the subject of legal tender—says nothing at all about it—and therefore we have the power to make paper a legal tender, and money generally. Why according to him, a man might, with a tin cup of a prescribed pattern, dip up a pint of water from the nearest puddle and make that a legal tender, if the Congress should so will. This is beyond the reach of argument. Not only is there no warrant for this power, but its exercise violates the whole spirit of the Constitution. Under that we may in one way impair contract ; that is, we may discharge men from the obligation of a contract by a bankrupt law ; but that we can do only by an express grant of power. * * *

This quality of legal tender cannot add to the stability of this currency, nor will it, induce confidence, but the reverse of both. It comes in "a questionable shape," bold, confessing, and shameless ; and if a man takes it at all, it is not because he wants it, but either because he must have it, or because he trusts to this characteristic to get rid of it again. Indeed, one of the arguments used for the incorporation of this provision into this bill is, that the creditors of the Government who must take these notes must have the power to get rid of them again, as a matter of justice to them ; otherwise they might perish on their hands. The death ought to occur or be removed from them. In the name of all commercial sagacity, how long do you expect to keep afloat a currency that thus has to cut its way into market—be shot into men, so to speak ?

JAMES H. CAMPBELL, OF PENNSYLVANIA.

Whatever measure is now or hereafter may become necessary to adopt in order to maintain the union and perpetuate free government, that will I support. Speak not to me of "objections" and "scruples" and "dangers," of "constitutional objections" and "conservative influences." Sophistry is ever plausible, and opposition to a just and necessary measure generally wears the mask of a "constitutional objection." The highest duty of every member is to maintain the union—to sustain the Constitution against this causeless and wicked rebellion ; and in doing this, let us bear in mind that the Constitution was made for the people—to secure to them and their posterity the blessings of free government. Therefore, with me the final inquiry is, is this measure necessary to suppress the rebellion. If it is, here am I ready to sustain it. It will be found the Constitution gives ample power to sustain this view.

THADDEUS STEVENS, OF PENNSYLVANIA.

This bill is a measure of necessity, not of choice. No one would willingly issue paper currency not redeemable on demand and make it a legal tender. It is never desirable to depart from that circulating medium which, by the common consent of civilized nations, forms the standard of value. But it is not a fearful measure ; and when rendered necessary by exigencies, it ought to produce no alarm. * * *

The power to emit bills of credit and make them a legal tender is nowhere expressly given in the Constitution ; but it is known that but few of the acts which government can perform are specified in that instrument. It would require a volume larger than the Pandects of Justinian or the Code Napoleon to make such enumeration, whereas our Constitution has but a few pages. But everything necessary to carry out the granted powers of the government is not only implied but expressly given to Congress. If nothing could be done by Congress except what is enumerated in the Constitution, the government could not live a week. * * * The right to emit bills of credit, which the Convention expressly refused to grant as a substantive power, has for fifty years, by the common consent of the nation, been practiced, and is now conceded by every opponent of this bill. With what grace can the concomitant power to make them a legal tender be objected to ? * * * Whenever any law is necessary and proper to carry into execution any delegated power, such law is valid. That necessity need not be absolute inevitable, and overwhelming—if it be useful, expedient, profitable, the necessity is within the Constitutional meaning. Whether such necessity exists is solely for the decision of Congress. Their judgment is absolute and conclusive. If Congress should decide this measure to be necessary to a granted power, no department

can rejudge it. The Supreme Court might think the judgment of Congress erroneous, but they could not review it. Now, it is for Congress to determine whether this bill is necessary "to raise and support armies and navies, to borrow money, and provide for the general welfare." They are all granted powers. It is for those who think that it is not "necessary, useful, proper," to propose some better means, and vote against this; if a majority think otherwise, its constitutionality is established.

If constitutional, is it expedient? It is objected by the gentleman from Ohio that the legal-tender clause would depreciate the notes. All admit the necessity of the issue. But some object to their being made money. It is not easy to perceive how notes issued without being made immediately payable in specie can be made any worse by making them a legal tender. And yet that is the whole argument so far as expediency is concerned. Other gentlemen argued that this would impair contracts by making a debt payable in other money than that which existed at the time of the contract, and would so be unconstitutional. Where do gentlemen find any prohibition on Congress against passing laws impairing contracts? There is none, though it would be unjust to do it. But this impairs no contract. All contracts are made not only with a view to present laws, but subject to the future legislation of the country. We have more than once changed the value of coin. * * * Whoever pretended that was unconstitutional? The gentlemen from Vermont [Mr. Morrill] and Ohio [Mr. Pendleton] think it an *ex post facto* law. It is not wonderful that my distinguished colleague, not being a professional lawyer, should not be aware that the *ex post facto* laws prohibited by the Constitution refer only to crimes and misdemeanors, and not to civil contracts. The gentleman from Ohio no doubt knew, but forgot it.

The general debate was then closed. A few amendments were offered and a vote was taken on a substitute measure offered by Mr. Horton as one having the sanction of one-half the Committee of Ways and Means. This substitute provided for the issue of \$100,000,000 of Treasury notes, bearing interest at the rate of 3.65 per cent. per annum, payable in two years after date; such notes being receivable for all public dues, except duties on imports, and for all salaries, debts and demands owing by the United States to individuals, corporations and associations within the United States, at the option of such individuals, corporations and associations. These notes were exchangeable for United States bonds. Upon taking a vote on this substitute measure, it was rejected, 95 to 55. The original measure was then put on its passage and adopted, 93 to 59.

YEAS. Aldrich, Alley, Arnold, Ashley, Babbitt, Goldsmith, F. Bailey, Joseph Baily, Baker, Beaman-Bingham, Francis B. Blair, Jacob B. Blair, Samuel S. Blair, Blake, Buffinton, Birnham, Campbell, Chamberlin, Clark, Colfax, Cutler, Davis, Delano, Delaplaine, Duell, Dunn, Edgerton, Edwards, Ely, Fenton, Fessenden, Fisher, Franchot, Frank, Gooch, Granger, Gurley, Haight, Hale, Hanchett, Harrison, Hickman, Hooper, Hutchins, Julian, Kelley, Francis W. Kellogg, William Kellogg, Killinger, Lansing, Leary, Loomis-McKean, McKnight, McPherson, Marston, Maynard, Mitchell, Moorhead, Ansie P. Morrill, Nugen, Olin, Patton, Timothy G. Phelps, Pike, Price, Alexander H. Rice, John H. Rice, Riddle, James S. Rollins, Sargent, Shanks, Shellabarger, Sherman, Sloan, Spaulding, John B. Steele, Stevens, Trimble, Trowbridge, Upton, Van Horn, Van Valkinburgh, Van Wyck, Werree, Wall, Wallace, Charles W. Walton, Whaley, Albert S. White, Wilson, Windom, Worcester—93.

NAYS. Ancona, Baxter, Biddle, George H. Browne, Cobb, Frederick A. Conkling, Roscoe Conkling, Conway, Corning, Cox, Cravens, Crisfield, Diven, Dunlap, Eliot, English, Goodwin, Grider, Harding, Holman, Horton, Johnson, Knapp, Law, Lazear, Lovejoy, Mallory, May, Menzes, Justin S. Morrill, Morris, Nixon, Noble, Norton, Odell, Pendleton, Perry, Pomeroy, Porter, Richardson, Robinson, Edward H. Rollins, Sedgwick, Sheffield, Shiel, William G. Steele, Stratton, Benjamin F. Thomas, Francis Thomas, Train, Valandingham, Voorhees, Walworth, E. P. Walton, Ward, Webster, Chilton A. White, Wickliffe, Wright—59.

On February 7 Noell wished his vote to be recorded in the affirmative, having been absent at the time the vote was taken; and on the 11th Wood, of New York, wished his vote recorded in the negative.

The geographical distribution of the vote was as follows:

New England States, 16 yeas and 11 nays; Middle States, 38 yeas and 23 nays; Virginia, 3 yeas; Western States and Territories, 37 yeas, 27 nays.

DEBATE IN THE SENATE.

On February 10th the bill, with amendments, was reported to the Senate from the Committee on Finance. The debate was begun two days later by the Chairman of that Committee,

MR. WILLIAM PITT FESSENDEN, OF MAINE.

With regard to the particular bill now before the Senate, we all know that it was resorted to as a temporary measure, not in the beginning, but in consequence of the necessities of the Treasury, arising from a greater expenditure than the Secretary could have imagined, and arising from the necessary delay with reference to other measures. Can it be said that a measure like the one now pending before the Senate and the country is a measure of a day or an hour? Why, what does it propose? It proposes something utterly unknown in this Government from its foundation; a resort to a measure of doubtful constitutionality, to say the least of it, which has always been denounced as ruinous to the credit of any government which has recourse to it; a

measure, too, about which opinions in the community are divided as perhaps they never have been divided upon any other subject; a measure which when it has been tried by other countries, as it often has been, has always proved a disastrous failure.

I have already said that we have never attempted to resort to such a measure before. We have had a war with England since our Government was formed; and if I am rightly informed, at that day the stocks of the Government went down to 60 per cent. and pay was taken for them in such currency as could be received, itself depreciated; and yet it did not occur as a serious question to the men of that day to put forth, under the Constitution, irredeemable paper, made a legal tender for the payment of debts. To be sure, the country then was poor; it is now rich comparatively. The country had not then the resources that we have; and perhaps it would have had the more excuse for adopting such a course. I do not urge this as an argument against it at the present time, but only as showing the nature of the measure itself to which it is now proposed to have recourse in order to place the Government in a better position; especially when you observe that everybody who has spoken on this question, I believe without an exception—there may have been one or two—but all the opinions that I have heard expressed agree in this: That only with extreme reluctance, only with fear and trembling as to the consequences, can we have recourse to a measure like this of making our paper a legal tender in the payment of debt. * * *

But the Committee thought, in giving this enlarged power to the Secretary at this time [of selling bonds for what they would bring] that it was bound—if this legal tender was to be resorted to, especially if the bill of the House as it stood should be adopted by the Senate, and should become a law—that an assurance should be given to the country that it was not to be resorted to as a policy; that it was what it professes to be, but a temporary measure. The opinions of the Secretary of the Treasury are perfectly well known. He has declared that, in his judgment it is, and ought to be, but a temporary measure, not to be resorted to as a policy, but simply on this single occasion, because the country is driven to the necessity of resorting to it. I have not heard anybody express a contrary opinion, or, at least, any man who has spoken on the subject in Congress. The Chairman of the Committee of Ways and Means, in advocating the measure, declared that it was not contemplated, and he did not believe it would be necessary to issue more than \$150,000,000 of Treasury notes made a legal tender, provided by this bill. All the gentlemen who have spoken on the subject, and all pretty much who have written on the subject, except some wild speculators in currency, have declared that as a policy it would be ruinous to any people; and it has been defended, as I have stated, simply and solely upon the ground that it is to be a single measure, standing by itself, and not to be repeated. * * *

I wish now to say something upon the main question of the bill, which I have avoided touching, except incidentally; and that is the clause making these notes a legal tender; for, after all, that is the great question now submitted to the Senate. The Senate will observe that the Committee make no recommendations on that subject, except such as may be inferred from the fact that they report it back. They report the bill back retaining the clause, and so far an inference might be drawn that the Committee were in favor of it. Under the circumstances of the case in the Committee (of which, perhaps, I may speak with propriety, as the Committee, as a whole, had no opinion upon the subject, their opinions being so divided) I deem myself at liberty, as I should, perhaps, be under any circumstances, if need be, and if my opinions lead me in that way, to say what I have to say in opposition to that clause. * * *

The ground upon which this clause making these notes a legal tender is put I have already stated. It is put upon the ground of absolute, overwhelming necessity; that the Government has now arrived at that point when it must have funds, and those funds are not to be obtained from ordinary sources, or from any of the expedients to which we have heretofore had recourse, and this new, anomalous and remarkable provision must be resorted to in order to enable the Government to pay off the debt that it now owes and afford circulation which will be available for other purposes. The question then is, does the necessity exist? * * * Is this measure absolutely indispensable to procure means? If so, as I said before, necessity knows no law.

What are the objections to it? I will state them as briefly as I can. The first is a negative objection. A measure of this kind certainly cannot increase confidence in the ability or the integrity of the country. It can make us no better than we are to-day, so far as this foundation of all public credit is concerned.

Next, in my judgment, it is a confession of bankruptcy. We begin and go out to the country with the declaration that we are unable to pay or borrow, at the present time, and such a confession is not calculated to increase our credit.

Again—Say what you will, nobody can deny that it is bad faith. If it be necessary for the salvation of the Government all considerations of this kind must yield; but to make the best of it is bad faith, and encourages bad morality both in public and in private. Going to the extent that it does, to say that notes thus issued shall be receivable in payment of all private obligations, however contracted, is in its very essence a wrong, for it compels one man to take from his neighbor, in payment of a debt, that which he would not otherwise receive or be obliged to receive, and what is probably not full payment.

Again—It encourages bad morals, because, if the currency falls (as it is supposed it must; else why defend it by a legal enactment), what is the result? It is, that every man who desires to pay off his debts at a discount, no matter what the circumstances are, is able to avail himself of it against the will of his neighbor, who honestly contracted to receive something better. My judgment is that anybody who would avail himself of a position and a power of that kind, thus conferred on him by law, has forgotten the principles of right and wrong between man and man; for legal enactments cannot make that right between man and man which otherwise would be wrong. I say, therefore, that another objection which has been stated, and of which the force must be admitted, is that it is bad faith.

Again—Necessarily as a resort, in my judgment, it must inflict a stain upon national honor. We owe debts abroad yet. Money has been loaned to this country, and to the people of this country, in good faith. Stocks of our private corporations, stocks of our States and of our cities, are held and owned abroad. We declare that for the interest on all this debt, and the principal if due, these notes, made a legal tender by act of Congress, at whatever discount they shall stand, shall be receivable. Payment must be enforced, if at all, in the courts of this country, and the courts of this country are bound to recognize the law that we pass.

Again—It necessarily changes the values of all property. It is very well known that all over the world gold and silver are recognized as money, as currency; they are the measure of value. We change it here. What is the result? Inflation, subsequent depression, all the evils which follow from an inflated currency. They cannot be avoided; they are inevitable; the consequence is admitted. Although the notes, to be sure, pass precisely at par, gold appreciates, property appreciates—all kinds of property,

Again—A stronger objection than all that I have to this proposition—I am stating the objections which everybody must entertain, because I suppose these facts are palpable—is that the loss is to fall most heavily upon the poor. I believe it never was disputed, it cannot be in the light of experience, that those who are injured most by an inflated currency are the laboring man—the poor. The large capitalists can bear it; but there are small capitalists in this country whom it will vastly injure. When you speak of a capitalist, in the common acceptance of the term, you mean a rich man; but every man who is free of debt, and earning something, and earning a surplus, is a capitalist; and the greater number of capitalists together make up a great whole, and these are the men who suffer by the disorder of affairs—the poor laborer, in the first place, more than all; small capitalist, if I may so call him, next; and the rich capitalist last of all. Such is the necessary result and consequence always of this system * * * This is a great crisis truly. Everything depends upon our credit and our ability to meet our wants financially. I have no doubt myself that we shall be able to meet them; and I must confess to the leaning of my opinion, that we shall be as well able to meet them without this legal tender clause, as it is called, as with it. That our paper will be as good and our credit and character much better without it. * * *

JACOB COLLAMER, OF VERMONT.

It is proposed to try the old experiment again. These notes are to be put in circulation at a discount, as everybody knows; and the very form of the bill concedes it. The bill not only provides for the issuing of notes, but provides that they shall be a tender in payment of debts. If they are to be at par, and are to be kept at par, what occasion is there for the tender clause? It is utterly useless. It goes upon the ground and it includes the implication that they are not to be at par. The bill, as it came from the House of Representatives, in order to give currency to these notes, provided that men should have a right, when they had a quantity of them, to fund them in Government bonds, having twenty years to run, with interest payable in what? In these very notes that they had put in. It was saying to them, "if you will only take these notes, you may fund them in a bond, and take your pay in the notes again." What a financial juggle is that? That is the form in which it came to us from the other House; but an amendment, reported by our Committee and adopted by the Senate, provides that the interest, at least, shall be payable in money. When I use that term, some gentlemen may say that it includes these notes, because we declare that these notes are money; and they think that that declaration makes them money. We know that of old there was a set of men in the world called alchemists, one of whose projects was to discover what they call the Philosopher's stone, which would transmute everything into gold, but I believe they never went so far as to suppose that they could make gold out of anything but the baser metals. We propose to make it out of paper, without a particle of metal in the composition.

No; this is aiding and assisting men who happen to owe debts to pay those debts at par with a depreciated paper, at the cost and expense of the creditor. That is it, disguise it as much as you please. I call that impairing the obligations of contracts. * * * You do this in the very bill with which you go before the community and ask for credit upon your plighted public faith, * * *

From the extracts which I have read, I deduced the conclusion, first, that such paper, put out without provision for its payment, and undertaken to be coerced upon the community by tender clauses, always, and in all countries, here and elsewhere, not only deteriorates, but I think I may safely say that such paper put out upon such terms and conditions in the history of the world never was paid, and I shall hereafter endeavor to show why in all probability it never will be. My honest opinion is that the Constitution never intended to invest Congress with any such power. On that point I will suggest, first, that if this power was given to Congress it would be perfectly and utterly useless, except for purposes of injustice. Suppose there were no debts; suppose all debts were obliterated, and we were now about to raise money to start in our important national concerns, wanting credit, and we had said, in order to get along, that Congress shall have any power to make the paper issued by the United States a tender; and suppose Congress directed an issue of paper and declared that it should be a tender; I ask whether anybody on earth could by that act be compelled to take it? Would not that tender clause be *brutum fulmen*. I am going now on the supposition that nobody now has anything due to him. Then, of course, there is nobody to whom you can make a tender. As to taking it for his property, a man is under no obligation to do that. Then a power of that kind given to Congress in the Constitution would be simply and utterly useless; it could have no practical effect. Then, suppose we had debts; what does it do? Would you invest Congress with the power in such a case? It is good for nothing under heaven but to enable people to cheat; Congress gets nothing by it. You put out your paper; it deteriorates, it is at a discount. A man sells his property for whatever price he pleases; and if he knows that he is to get this paper in payment he will put on an artificial price to make up for this deterioration; and then he can tender the paper to his creditor in payment of a debt at its par value, though that creditor may thereby lose 25 per cent. of his debt. The obligation of the contract is impaired just that amount by the act of the Government. If that is the only practical use that can be made of a power in Congress to make paper a tender, it seems to me that it does not commend itself very much, nor do I think anybody will be very ready to believe that the convention framed the Constitution on purpose to give this useless power just to enable some men to cheat their creditors. It would require a great deal more than silence to convince me that the convention actually intended to vest such a power as that in Congress for such an unjust purpose; and it can be used for no other purpose. * * *

Where is the power to do this derived from? It is said to be an incidental power, falling within that provision of the Constitution giving Congress authority to make all the laws which are necessary and proper to carry into effect the granted powers. When gentlemen desire to get some latitude and elbow room for action, I know that they are generally exceedingly desirous to get a thing into that category. If you can only get the power into that incidental clause, you have plenty of elasticity. It has so much India rubber in it that you can take just as much elbow room as you want. There is, therefore, in those who desire to magnify their office and their power a very strong inclination to resort to this clause.

It is said to be incidental to a great variety of powers. It is said that Congress has power to raise and support armies—*ergo*, the incidental power to raise money in this form or any other form for the purpose of supporting armies. So it is said that the Government has power to pay its debts; *ergo*, we may raise money in this way. The most general pack-horse for this incidental power, however, has been the authority given to Congress by the Constitution to regulate commerce, and this power is said to be derived from that. * * * The Constitution says that Congress may “regulate commerce with foreign nations, and among the several States, and with the Indian tribes.” Here is a bill authorizing the issue of Treasury notes, and making them a tender in payment of debts. I want to know what that has to do with trade between the States? To my mind that, if it is doing anything, is regulating trade between me and my neighbor in the same State, not regulating trade between separate States, and not regulating foreign trade. It is merely regulating a shaving trade between debtor and creditor. The bill proposes to make these notes a tender to pass as the representative of value in trade between man and man. Under this clause of the Constitution it might be proposed to adopt some measure for a commercial agency or commercial functionary; but if you make paper a tender, as I have before remarked, nobody will be bound to take it in exchange for property. Then it cannot be a measure of regulating commerce. It will not regulate it at all.

But I have another idea in relation to all this business of incidental power? What is this measure? A bill to raise money to enable the Treasury to get along. There never can be such a thing as an incidental power in Congress to do a thing where there is an express grant of power for the purpose. If the power is expressly granted, that power only is to be exercised within its own limitations. You cannot abandon that express provision and hunt out for yourself some more convenient mode of getting latitudinarian authority by laying it under an incidental power. This is a money measure, nothing more, nothing less. * * * There is an express power granted to Congress to raise money; and it is further to be observed that the Constitution not only gives the power to raise it but regulates the manner of raising it. There are two modes:

one is the levying of taxes in some form under the various generic heads used in the clause, "taxes, duties, imposts and excises," and the other is the borrowing of money. Most certainly the making of these notes a tender upon debts, is not levying taxes, duties, imposts or excises. Then what is it, for it is a money measure? It is in substance borrowing money. * * * This operation is not anything like as honest or honorable as a forced loan. If I go for the Government to my colleague and say to him, "I understand you have \$1,000 deposited in bank; the Government are in absolute want and we will have it; you understand we must have it; we shall take it, and here is our certificate for the amount; if we are ever able, we will pay you." There is some kind of decency in that kind of robbery; but suppose, instead of that, the Government furnishes me with some of this paper money; I get it at a discount, and I go and pay it over to Mr. Foote upon my debt due to him, and cheat him out of \$300; nobody on the face of the earth is ever bound to pay him anything. I should like to know which is the more decent, which is the more just, which is the more honest of these two? If you make a thing worse than absolute, direct robbery, I think you have got it about bad enough in this tender clause.

TIMOTHY O. HOWE, OF WISCONSIN.

The Senator from Vermont [Mr. Cullom] has argued with great force and plausibility that the making of these notes a legal tender is unconstitutional, because it is unjust and inequitable. Assuming that the notes of the Government will be depreciated to half their nominal value, he proves conclusively that it would be grossly unjust to enable one who had purchased upon credit when gold and silver were the only legal currency to discharge his debt in a paper worth but 50 per cent. as much as specie is. The Constitution, he reminds us, was framed "to establish justice." This, he rightly concludes, is not justice; and therefore he argues the Constitution will not sanction it. I have not been able to recognize the conclusiveness of this reasoning, and I oppose to it these considerations:

1. Making a tender for a debt does not discharge it. It only stops the accruing of interest upon it. Any creditor who is tendered the notes of his Government if he has no debts of his own to pay, and cannot lend them to one who has, and will not lend them to his Government in exchange for its interest-paying stocks, may retain his security until the notes appreciate or coin is again recognized as the legal currency.

2. There is no probability that a currency, based upon the resources of a great nation, the whole of which will be demanded once in each year for payment of dues to the Government, and which may be used any time in payment of private dues so long as any private dues exist, and may be loaned to the nation upon interest, even after every individual in the nation has ceased to borrow, will depreciate fifty per cent. or even five per cent. No such paper ever did depreciate, and none such, I venture to predict, ever will.

3. But even if it were certain that these notes would depreciate fifty or seventy-five per cent., it would by no means follow that Congress has not the authority to declare them a tender for debt. The power to degrade or depreciate the currency Congress undoubtedly has. It has that by the clearest terms of the Constitution. It has the power to "coin money and to regulate the value thereof." Those powers are unlimited. * * *

HENRY WILSON, OF MASSACHUSETTS.

If the amendment proposed by the Senator from Vermont (to strike out legal-tender clause) is adopted, I shall vote against the whole bill under any and all circumstances, for I conceive that it would be unjust to issue a currency of \$150,000,000 of government paper, and impose it upon all persons in the employ of the Government, upon soldiers in the field and upon those who have made contracts to supply the armies of the republic, and do nothing to protect the credit of that currency when in their hands, imposed upon them by our necessities. I should consider such a measure as that unjust, wickedly unjust; and I could not, and I would not, under circumstances, be guilty of giving a vote of that character. If that amendment should be adopted, I hope every senator in favor of the legal-tender clause will vote against the bill, and defeat it if possible. I think we owe it to the character of the Senate and the character of the country. * * *

Passing by the question of constitutional power, and coming to it simply as a practical question, it is a contest between the brokers and jobbers and money changers on the one side and the people of the United States on the other. I venture to express the opinion that ninety-nine of every hundred of the loyal people of the United States are for this legal-tender clause. I do not believe that there are one thousand persons in the State I represent who are not in favor of it. The entire business community, with hardly a solitary exception, men who have trusted out in the country in commercial transactions their tens and hundreds of millions, are for the bill with this legal-tender clause. The people in sentiment approach unanimity upon this question. What is true of Massachusetts is, in my judgment, true to a considerable extent of New England, and true to some considerable extent of the Central States and the West. I believe that no measure that can be passed by the Congress of the United States, unless it be a bill to raise revenue to support the

credit of the Government, will be received with so much joy as the passage of this bill with the legal-tender clause. On that question I entertain no shadow of doubt. If you pass this bill with the legal tender, the legal tender cannot injuriously affect the credit of this currency you propose to circulate. No harm can certainly come of it. * * *

We are told that it will not do to interfere in these private transactions. My opinion is to-day that no class in this country have more interest in this legal tender clause than the creditor class of the community. You will find that your manufacturers, your merchants, your men who have their hundreds of millions trusted out in all parts of the country, are for this measure, for it is their protection and their interest. You will find that the families of your soldiers, who are to receive a small pittance from the men who are fighting the battles of your country in the field, are in favor of stamping upon these notes the words "legal tender;" so that when that little pittance comes from the field to them, to support them at home, they can use it to pay their necessary debts, and support themselves without having to go through the process of broker shavings. I look upon this contest as a contest between the curbstone brokers, the Jew brokers, the money-changers, and the men who speculate in stocks, and the productive, toiling men of the country. I believe the sentiment of the nation approaches unanimity in favor of this legal tender clause.

JOHN SHERMAN, OF OHIO.

The motion of the Senator from Vermont now for the first time presents to the Senate the only question upon which the members of the Committee of Finance had any material difference of opinion, and that is, whether the notes provided for in this bill shall be made a legal tender in payment of public and private debts. * * * I agree that this measure can only be justified on the ground of necessity. I do believe there is a pressing necessity that these demand notes should be made a legal tender if we want to avoid the evils of a depreciated, dishonored paper currency. I do believe we have the constitutional power to pass such a provision, and that the public safety now demands its exercise. * * * It is easy to criticise this bill. I dislike to vote for it. I prefer gold to paper money; but there is no other resort. We must have money or a fractured Government. If Senators can show me how they can raise money except in the way proposed I will join them in denouncing paper money. I listened with great attention to the remarks made by the Senator from Vermont, but when he got through I should have been glad to have him inform me—if we cannot issue these demand notes, what shall we do? Shall we surrender the Government; shall we refuse to pay our soldiers; shall we refuse to pay our contractors? No; you have agreed to pay your debts in money. The Chairman of the Committee on Finance gave us a very handsome lecture—a very able discourse upon the importance of preserving the public faith; and he desired to impress upon us—and did impress upon me—the necessity of not affecting the obligation of contracts. We must not in any emergency, under any stress of circumstances, affect the obligation of contracts between private individuals. Did that Senator overlook the first contract, the contract between the Government and the soldier, the Government and the men who feed and clothe your armies? We must pay the soldier in money; we must pay the contractor in money. There is a contract, an obligation between the contractor and the soldier and the Government, that must be observed. The same obligation of good faith rests upon us to pay every dollar that is due from us to our own creditors, as well as not to impair the obligation of contracts between others. How can you do it? I have shown that you cannot do it in gold; I have shown that you ought not to do it in the inflated paper money of the country; how else can you do it? There is no other way, except to issue to your creditor the note of the United States, in such form, with such sanctions, as will enable him to use it as money. If we can believe the testimony of others and the light of reason, the only way we can do this is by stamping them with the same national sanction with which you stamp your gold and silver coin. * * *

If you strike out this tender clause, you do it with the knowledge that these notes will fall dead upon the money market of the world; that they will be refused, as they are now refused by the banks; that they will be a subordinate, disgraced currency that will not pass from hand to hand; that they will have no legal sanction; that any man, whether a Jew broker or any other of the numerous kind of brokers described by the Senator from Massachusetts, may decline to receive them, and thus discredit the obligations of the Government. * * * After all, this is a mere temporary expedient. It is manifest that we must rely upon some other source of obtaining money. We dare not repeat this experiment a second time. * * *

EDWARD COWAN, OF PENNSYLVANIA.

The power claimed for the Government by this bill subverts the Government itself, and makes it destroy that which it was instituted to protect and preserve. What has been its functions heretofore in its proper and harmonious play? And why are we so anxious to perpetuate and save it; is it because it destroys credit and good faith among men, or is it because it has been almost wholly employed to assert and enforce them? Surely the latter; for at least four-fifths of its labors are performed in achieving what this bill proposes not to do. The Government struggles to make men stand upon their

contracts ; this bill proposes to discharge a certain class of men from their contracts, upon part performance only.

Proceedings in courts are of two kinds : 1. Criminal proceedings, for the punishment of crime. 2. Civil proceedings, to indemnify against wrongs and enforce contracts. I think the latter occupies four-fifths of the time of the courts, occupy them to compel the performance of contracts, and preserve the credit of society inviolate in all cases where the honesty of the contracting party is wanting to that end. This bill, however, would set them all to work, not to compel men to keep their faith, but to aid in breaking it.

I have said I was opposed to the plan in the bill, because it was without warrant under the Constitution. I would now say I would oppose it if it was free from that objection, because it is abhorrent to reason, justice, and all my notions of right.

* * * * *

I propose now to look for a moment at the effect claimed for this clause upon the notes themselves. It is said it will give them credit. I think the contrary effect will follow. It is a blow aimed at them in the most vital part, and one better calculated than any other, since it comes from a friendly hand, to do them in this regard most injury. If one of them asserts on its face that it is five dollars, and that were really true, I should like to know how much truer it is after you have said to everybody, " You shall believe it whether you will or not." Not much, I think ; but, on the other hand, the fair inference is in the mind of every man, however stupid, that you yourselves first doubted the validity of it ; and that therefore you attempted to give it this quality of paying debts perforce, to compensate it for the lack of essential value. If it were good and valid all people would be glad to get it, as all are ever glad to get money, and the moment you attach to it this character of compulsion you alarm and irritate them, till, like the fat knight in the drama who was anxious to give reasons for his timidity and cowardice, they refuse because of the *compulsion*. He said if reasons was as plenty as blackberries he would not give one on compulsion. * * *

But it may be said this provision will keep the notes at par, and therefore no disturbance can take place ; and this latter would be true if the first were. How is it ? Most people have a notion that a note is good just in proportion as it is readily convertible into gold or silver ; and I think this cannot be supplied by any form of legislation hitherto discovered, and without this capacity in them the law will not help. But that, no doubt, can remain ; the experiment has been tried, and with much more vigor than is contemplated here, with none but the most disastrous results. During the French Revolution, the assignats issued by the government were backed in every possible shape and form, by every conceivable legal sanction to compel their circulation, still they sunk as rapidly as though they had been left to the operation of the natural law. Even the penalty of death imposed upon all who refused them did not help. God be praised, we have not come to that here yet ! This bill does not provide that those who refuse their commodities in exchange for these notes shall incur penalties. How soon it may come none can tell, as it seems to follow in regular sequence.

One thing is certain, if it is not resorted to the people will protect themselves by abolishing all trust and requiring cash down. They may decide that their property is better to keep than to sell for Treasury notes, unless they can, at the time of sale, be allowed to fix the true value of them. When that takes place, the value of credit itself as well as Treasury notes will begin to be better understood, and that which is now considered so potent by many will be found of little avail in a contest with the natural laws of trade and the true laws of money.

JAMES A. BAYARD, OF DELAWARE.

I shall, however, pass over the constitutional argument. I really do not think, from anything I ever heard on the subject, that is worth an argument. The thing is to my mind so palpable a violation of the Federal Constitution, that I doubt whether in any court of justice in this country, having a decent regard to its own respectability, you can possibly expect that this bill which you now pass will not, whenever the question is presented judicially, receive its condemnation as unconstitutional and void in this clause. * * * It may be said that as long as these notes approximate to the value of the coin of the country, gold and silver, individuals from feelings of patriotism or from any other cause, will be willing to use them as a currency while there is not a redundancy. That may be so ; but after awhile there will be a conflict ; and there is one class of creditors that you cannot expect to reach in that way, and that is the class of guardians, trustees, and executors, where men have to receive money in a fiduciary capacity. If they receive as money that which has not the value of money, except by arbitrary legislation, they may be made to account for it, not now, in a time of excitement, but two, four, ten, fifteen, or twenty years hence, depending upon the expiration of minority, or upon the removal of coverture, if the *cestui que trust* is now a *femme couverte*. Do you suppose they will not make the legal question in your courts when the tender is made to them of a depreciated currency as a payment of a debt due them as trustees ? Of course they will ; you cannot expect to avoid it. * * * In my judgment, apart from the constitutional objection, which alone would be sufficient to control my vote, upon the ground that you have no power to insert this clause in any law, I cannot vote for a bill which em-

bodies it. It is impolitic and inexpedient as well as unconstitutional. It is a mere temporary expedient. It may give present inflation and present relief for the hour, and a very brief hour indeed, but it will be followed by a weakening of the resources of the Government, a depreciation of its credit, and it will produce nothing but disaster and ruin to the country.

CHARLES SUMNER, OF MASSACHUSETTS.

It is difficult to escape the conclusion that if Congress is empowered to issue Treasury notes, it may affix to these notes such character as shall seem best and proper, declaring the conditions of their circulation, and the dues for which they shall be received. Grant the first power, and the rest must follow. Careful you will be in the exercise of this power; but, if you choose to take the responsibility, I do not see what check can be found in the Constitution. * * * I declare that the present proposition, when examined carefully, seems too much like bad faith. I say it seems; I would not speak too strongly. Is there not bad faith toward creditors who are compelled to receive what is due to them in a depreciated currency? Is there not bad faith toward all abroad, who, putting trust in our integrity, national and personal, have sent their money to this country, in gold or its equivalent? And, surely, just in proportion as this is so, you cannot doubt that we shall suffer alike in character and resources; for what resource is greater to a nation or to an individual than a character for integrity. * * *

Is it necessary to incur all the unquestionable evils of inconvertible paper, forced into circulation by an act of Congress—to suffer the stain upon our national faith—to bear the stigma of a seeming repudiation—to lose for the present that credit which in itself is a treasury—and to teach debtors everywhere that contracts may be varied at the will of the stronger? Surely there is much in these inquiries which may make us pause. If our country were poor or feeble, without population and without resources; if it were already drained by a long war; if the enemy had succeeded in depriving us of the means of livelihood, then we should not even pause. But our country is rich and powerful, with a numerous population, busy, honest and determined, and with unparalleled resources of all kinds, agricultural, mineral, industrial and commercial; it is yet undrained by the war in which we are engaged; nor has the enemy succeeded in depriving us of any of the means of livelihood. It is hard—very hard—to think that such a country, so powerful, so rich and so beloved, should be compelled to adopt the policy of even questionable propriety.

On the amendment to strike out the legal-tender clause the vote stood 22 yeas to 17 yeas. The amendment was therefore rejected. Some amendments were made to the bill, and after a short speech by Senator James A. Pearce, of Maryland, against the bill, a vote was taken and passed, 30 yeas to 7 nays. The vote in detail was as follows:

YEAS—Anthony, Rhode Island; Chandler, Michigan; Clark, New Hampshire; Davis, Kentucky; Dickson, Connecticut; Doolittle, Wisconsin; Fessenden, Maine; Foote, Vermont; Foster, Connecticut; Grimes, Iowa; Hale, New Hampshire; Harlan, Iowa; Harris, New York; Henderson, Missouri; Howard, Michigan; Howe, Wisconsin; Lane, Indiana; Latham, California; McDougal, California; Morrill, Maine; Pomeroy, Kansas; Rice, Minnesota; Sherman, Ohio; Sumner, Massachusetts; Teneyck, New Jersey; Trumbull, Illinois; Wade, Ohio; Wilkinson, Minnesota; Wilson, Massachusetts, and Wilson, Missouri.

NAYS—Collamer, Vermont; Cowan, Pennsylvania; Kennedy, Maryland; King, New York; Pearce, Maryland; Powell, Kentucky; Salisbury, Delaware.

This measure was approved by the President, February 25, 1862. A second issue of \$150,000,000 in treasury notes was authorized by law July 11, 1862; and a third issue of \$150,000,000 was authorized March 3, 1863. Thus, within a period of twelve months notes were authorized to the amount of \$450,000,000. The arguments in favor of the second and third issues added nothing to those advanced on the first issue.

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Each number contains a **special discussion** of some Sound Currency question.

*No change that can be made in our currency system will afford the relief to which the Government and the people are entitled unless it provides for the retirement and cancellation of the legal tender United States notes. Anything less than this will be simply a palliative, and not a cure, for the financial ills to which the country is now subject. * * **

In my opinion legislation in this direction at the earliest possible day is imperatively demanded by every substantial interest in the country, and its postponement upon any pretext of political expediency, or upon the assumption in advance that no satisfactory result can be accomplished, would be, to say the least, a very grave mistake.—JOHN G. CARLISLE, November 19, 1895.

WHY LEGAL TENDER NOTES MUST GO.

CHARLES C. JACKSON.

	PAGE
IMPORTANCE OF A RETURN TO SOUND FINANCE.....	156
PRACTICAL TROUBLES WITH PRESENT CURRENCY	156
FEAR OF REPUDIATION.....	156
TREASURY UNFITTED FOR BANKING BUSINESS.....	157
CONGRESSIONAL CONTROL UNBUSINESSLIKE	159
NECESSITY AND FEASIBILITY OF GREENBACK RETIREMENT.....	160
GOLD EASILY OBTAINED TO REPLACE GRADUAL WITHDRAWALS.....	161
CANCELLATION OF THE LEGAL TENDERS THE REMEDY.....	161
OTHER AIDS TO RETIREMENT.....	162
WHAT ACTION SHOULD BE TAKEN.....	162

WHY LEGAL TENDER NOTES MUST GO.**IMPORTANCE OF A RETURN TO SOUND FINANCE.**

While we are waiting to see what answer the House of Representatives and the Senate will give to the President's request for currency reform, it is worth while to keep clearly in our minds a few of the facts of the financial situation and some idea at least of the importance and feasibility of a return to sound money.

In the first place, we certainly have now, and have had continually since about July 1, 1892, such anxiety about the maintenance of the redemption of our currency in gold as to greatly harass all business men and to seriously check investment and enterprise here on the part of our own and foreign capitalists.

This anxiety would have no existence were it not for the Government notes which we have in circulation. Maintaining constant prompt redemption of these notes is a task for which the Treasury is utterly unfit. All the resources of the Government are pledged, and must be used if needed, to redeem these notes, but the sooner all of them are retired and cancelled the better it will be.

We have done wonders with our Government paper, having restored its redeemability after, in the stress of war, it had once been irredeemable. But we have since then followed in the course of other nations by increasing the quantity of the notes (contrary to everybody's confident expectation and intention) from \$350,000,000 to \$836,000,000,* and we have now got to the point where a little preference for gold is indicated by the way it goes out of the Treasury in return for paper and silver.

We know that most, and perhaps all, nations that have used paper money at all, have tried our experiment of using as legal-tender currency demand notes on which the government is the promissor. These notes have always been defaulted. No such paper except ours is at par to-day in the whole world. All the intelligent nations have abandoned the effort and substituted metal as the only legal tender, and now have all their paper issued by banks. The Bank of England notes form no exception to the rule. They are so guarded as to be similar to gold certificates rather than notes. They are not legal tender by the Bank to pay its debts in any case, and they utterly cease to be legal tender for any purpose by anybody whenever their convertibility into gold on demand ceases; so that their fall below par does not affect the value of contracts to pay lawful money. Of course, too, these notes are issued by a powerful bank, with huge capital and deposits—not by a government treasury which has neither capital or deposits. It is certain, therefore, that we are using an antiquated and discredited form of currency and are neglecting the clearest and strongest warnings of experience.

PRACTICAL TROUBLES WITH PRESENT CURRENCY.

Now what are the practical troubles which we find in the present situation, and why do we think a reform of the currency, and that only, will cure them?

FEAR OF REPUDIATION.

First, the use, as legal tender standard money, of greatly overvalued silver coins and of promises to pay gold, makes everybody fear that contracts to pay lawful money will be practically repudiated—in part at least; that their value will be greatly reduced some day by a temporary failure on the part of the Government to redeem these promises to pay gold, and by a failure to maintain the parity between

* It is a mistake to consider that the silver certificates should not be included with the greenbacks and treasury notes on the ground that they are not payable in gold, and that there is no doubting that their redemption in silver is perfectly safe. Since duties can be paid in them they prevent gold from flowing into the treasury just as an equal number of greenbacks and treasury notes do. Also, since they can be used as reserves by the banks, they have about as much effect in inflating the currency as the same number of greenbacks and treasury notes do. Moreover, since it is the declared policy of the Government to keep silver dollars at par with gold dollars, and since, if this policy were not successfully adhered to, gold would of course be at a premium and a run on the treasury would ensue, it is reasonable to suppose that the silver dollars, into which the silver certificates are convertible, help to produce distrust of our currency, and to necessitate the holding of a gold reserve by the Treasury to as great an extent as an equal number of greenbacks or treasury notes would.

our silver and our gold coins. This fear is very natural in the light of the history of other nations. That it is not without foundation, too, is evident from the fact that beside our legal tender notes having been inconvertible and at a discount for sixteen years, one-half the whole period since they were issued, there has been here constant anxiety about them, twice culminating in panic, since July 1, 1892: and even in 1885 and 1886 we had some apprehension about them. Evidently, adopting gold as our only legal tender would remove this anxiety; and it is hard to conceive any other means which would establish confidence and permanently maintain it.

The results of the anxiety about our currency are far more serious than is generally remembered. The contracts payable in lawful money in this country are probably at least \$25,000,000,000, and anxiety about these contracts, and about the new ones which must be entered on by anybody who undertakes a new enterprise, paralyzes our energies, curtails our industries, and lessens our incomes very seriously. In the last panic year the aggregate of the incomes of our inhabitants was reduced probably twenty per cent. at least, and to-day our incomes are probably ten per cent. less than they would be if this fear of partial repudiation did not hang over us. The total incomes of our people are somewhere about \$12,000,000,000 per year, and ten per cent. of this is \$1,200,000,000. This is the sum, then, which the use of overvalued silver and untrustworthy legal tender paper as standard money takes from us each year. The figures are so large that people are incredulous of this conclusion and are inclined to laugh at it. But there is no escape from the belief that it is true.

How ludicrous it is to be deterred from currency reform by the fear of being forced to spend \$20,000,000 in annual interest on the bonds needed to retire our legal tender notes. The sum to be saved to us each year by this reform is \$1,200,000,000. And this \$20,000,000 that we fear to spend is less than two per cent. of the saving we can make.

TREASURY UNFITTED FOR BANKING BUSINESS.

The second trouble which we find is that the Treasury, having been organized for ordinary business, like the treasury of any industrial corporation, has not the assets which a bank has from which to get the gold it needs when its notes are presented for redemption. And this same lack of assets prevents its having a ready control over the money market which banks always have. All solvent banks have constantly an amount of banking assets, that is, either cash or bills receivable, equal not only to all their liabilities, including both their deposits and the currency they have issued, but equal, besides their liabilities, to a substantial sum of money which the stockholders have put in as capital. These bills receivable bring into each bank a constant stream of money, and any bank by declining to loan so freely as usual can at any time dam up a part of this stream of money in its vaults, thereby tightening the money market, checking to some extent gold exports, and accumulating money to redeem its notes and deposits with.

For instance, the banks of our country have \$5,000,000,000 banking assets, bringing them in a stream of money at the rate of between \$25,000,000 and \$50,000,000 per day. If the \$850,000,000 demand liabilities which our Government now has out, were cancelled and our banks should issue \$850,000,000 demand notes to take their place, the banking assets of our banks would be increased \$850,000,000 by the bills receivable which they would get from the people to whom they would loan this currency, and the stream of money flowing into their vaults would be from \$30,000,000 to \$55,000,000 per day. This would be all gold, as there would be under our plan no other legal tender. How easy then for our banks to control the money market, check gold exports, and redeem all this currency even within a few days if the redemption of it all were ever demanded. The Treasury is like a bank in which the stockholders are liable for all its debts, and have bound themselves to put in ample cash capital whenever it is wanted, but in which no cash capital has yet been called up. The Treasury has no bills receivable, no promises of other people to pay it gold coming due from day to day. It can borrow gold by selling its own promises to pay. Even in times of emergency it can sell its bonds for

lawful money readily enough, for the nation's credit is kept very high by the honor and resources of the country. But we have found that it cannot easily get gold at such moments. Last February we ran in our panic to foreign bankers and paid them a huge bonus for gold because, apparently, we could not get it here. Meantime our own banks with \$5,000,000,000 banking assets and \$170,000,000 gold, and while several other hundred millions of dollars of gold were floating in the country, stood paralyzed. If our Treasury were managed by financial experts even the cumbersome and awkward method of controlling the money market and accumulating gold by the sale of bonds would be so availed of as to make the situation tolerable. But Congress and the public control the Treasury, and will not allow proper management of it.

To look at it from another point of view. We long ago decided in this country that industrial and transportation corporations ought not to issue paper currency, and many were the examples of disaster that sprung from not acting in accordance with this decision. Now, the Treasury is merely a business concern. And what are its resources? It usually gets by purchase some gold that comes to it from the mines to be minted, but probably not enough to pay the interest on the Government debt. It has no steady stream of money flowing in, except from duties and internal taxes. But all that comes from these sources is pledged already in payment for services and materials, and, moreover, none of it is now in gold, which is the only kind of money the Treasury can use for redemption. While the duties and other taxes were putting a great surplus of gold into the Treasury, and while at the same time exports of gold were small, no anxiety about redemption arose. But now it has become clear that the Treasury is dependent for its gold supply on favorable conditions of business, and it is utterly helpless in the matter when these conditions are adverse.

Our troubles come from issuing as currency Government notes direct to the public and thereby forcing the Treasury to try to perform the functions of a bank of issue, without giving it the assets and powers of such a bank.

If the Treasury had a great capital and had attracted deposits by paying interest on them so that the total amount of funds at its disposal was \$2,100,000,000, this amount would bear about the same relation to the currency it must protect as is the case with the Bank of England. I doubt whether it would even then have as much control over the money market as the Bank of England does. The National and State banks in this country have \$5,350,000,000 capital, surplus and deposits—which gives them nearly two and a half times the resources above suggested for the Treasury.

Again, every good bank has all its capital, and its surplus, and its deposits, and the business paper bought with the currency it has issued—it has all this property in the form of quick assets, and so arranged as to bring to it a constant stream of ready cash available for the redemption of its liabilities. Every bank by this method binds by contract a large number of honest and successful people to supply it with the cash it will need at the times when it will need it. The Treasury, on the other hand, instead of securing its money beforehand by contract, trusts to being able to borrow money when it shall want it. And what is still worse, it debars itself from adopting any sure means of getting the kind of money it wants—that is, gold—by agreeing to always over its counter give gold for its own notes. We have learned how serious a difficulty this is. Attention is so concentrated on the reserves of the banks and the reserve of the Treasury that people somehow seem to lose sight of this fundamental difference as to the assets of the two.

It is certain that if one great bank, or many little banks, had the duty of redeeming this paper in gold thrown on them, they would easily get the needed gold from their bills receivable. It would come in according to the promises of the business community to whom it had been lent; and it is difficult to imagine any resource that will take the place of these promises (bills receivable). That is to say, if we do not relieve the Treasury of the duty of redemption we must, in order to be safe, turn it into a solvent bank by giving it funds to the amount of, say, one-third more than its demand liabilities—that is about \$1,100,000,000—and by providing by law that it shall keep all these funds within reach, either in the form of cash in its vaults, or else loaned out to responsible

borrowers. But if the Treasury once received these funds—in gold, of course—it would be far wiser to use them to pay off its demand notes at once than to carry on a banking business.

CONTROL OF OUR PAPER CURRENCY BY CONGRESS.

The third trouble is that direct control over the Treasury and over the issues of our paper currency—legal-tender notes and silver certificates—is held by Congress.

The figures herewith show that in the last eight years we have annually exported on the average \$35,000,000 more gold than we have imported, while in the previous ten years we had annually imported, on the average, \$22,000,000 more gold than we exported.

YEAR ENDING JUNE 30.	TOTAL EXPORTS OF GOLD COIN AND BULLION.	EXCESS OF EXPORTS OR IMPORTS.		CIRCULATION PER CAPITA JULY 1.
		Merchandise.	Gold.	
1879.	\$4,587,614	Exports, \$264,661,666	Imports, \$1,087,334	\$15 75
1880.	3,639,025	" 167,683,912	" 77,119,371	19 41
1881.	2,565,132	" 259,712,718	" 97,466,127	21 71
1882.	32,587,880	" 25,902,683	" 1,789,174	22 37
1883.	11,600,888	" 100,658,488	" 6,133,261	22 91
1884.	41,081,957	" 72,815,916	Exports, 18,250,640	22 65
1885.	8,477,892	" 164,662,426	Imports, 18,213,804	23 02
1886.	42,952,191	" 44,088,694	Exports, 22,208,842	21 82
1887.	9,701,187	" 23,863,443	Imports, 33,209,414	22 45
1888.	18,376,234	Imports, 28,002,607	" 25,558,083	22 88
1889.	59,952,285	" 2,730,277	Exports, 49,667,427	22 52
1890.	17,274,491	Exports, 68,518,275	" 4,331,149	22 82
1891.	86,362,654	" 39,564,614	" 68,130,087	23 41
1892.	50,195,327	" 202,875,686	" 495,873	21 44
1893.	108,680,844	Imports, 18,735,723	" 87,506,463	23 87
1894.	76,978,061	Exports, 237,145,950	" 4,528,942	24 30
1895.	66,181,183	" 75,732,942	" 30,984,449	22 96
Average, 1879-88. . .	17,557,000	" 109,604,734	Imports, 22,006,708	.....
Average, 1889-95. . .	66,510,691	" 86,053,066	Exports, 35,092,056	.....
Total, 1879-88. . . .	175,570,002	" 1,096,047,339	Imports, 220,067,086	.....
Total, 1889-95. . . .	465,574,843	" 602,371,467	Exports, 245,644,390	.....

As the average annual excess of merchandise exports over imports decreased to \$86,000,000 in the last eight years from \$110,000,000 in the previous ten years, evidently the tendency of gold to flow out was not caused mainly by withdrawal of capital from this country, because merchandise is as much capital as gold is, and just available for settling debts abroad. And the tendency of gold to flow away from our country during these eight years past was not caused by crops nor by tariffs, for this tendency was persistent; the exports exceeded the imports each year, while crops and tariffs changed backward and forward. The question is simply, Which are we most willing to part with, merchandise or gold? Whichever we value the less, compared with their relative values abroad, that we send. Since the figures here given show a great increase in the amount of currency per capita in circulation, it is fair to presume that we have persistently exported currency because this increase gave us more of it than we could use under the ordinary conditions of business. When the great increase in currency per capita first occurred, between 1879 and 1883, business and speculation were so active that we found use for this great quantity. But when business quieted down after the rampant railroad building and land speculation of 1887, we promptly began to export more gold every year than we imported, and have continued to do so ever since.

Now, the great increase in the volume of our currency is fairly attributable to the recklessness and ignorance of Congress, and of the public by which Congress is necessarily ruled. For many years Congress kept on creating new currency without any regard to the question whether the business of the country required it. Congress did not desire to learn about the question whether business wanted more currency, and probably did not have any idea how to get an answer to the question if it had wanted one. If all paper currency were issued by banks, its issue would be under the control of bank directors who are experts in finance, and they would be guided by a desire

to get interest on their issues, and therefore would not make the issues unless business demanded them and would pay proper interest on them. Moreover, if the currency issued by banks under a proper banking law became redundant, since it would not be legal tender, and would therefore necessarily be less valuable than gold, it would flow rapidly back to the issuing banks and be redeemed, and the redundancy would be relieved. We have put Congress and the public in control of the Treasury in this most important respect, and we know well that Congress and the public are by training and habit incompetent to exercise such control. Both the neglect to sell bonds in proper season and the long-continued redundancy of the currency are the fruit of their ignorance and recklessness in financial matters. Beyond everything else, it is essential to remove from the control of Congress the power of increasing and decreasing the volume of our paper money.

NECESSITY AND FEASIBILITY OF GREENBACK RETIREMENT.

It is not too much to say that the one great question about our currency system, around which cluster all our other currency problems, is whether or not the United States Treasury shall continue to issue paper money as a legal tender.

Our history and experience under the practice shows that it was born in unreason and dishonesty, and that it has cost us dear and plagued us sorely, giving aid and comfort to every fiat money scheme which has threatened and shaken our standard of value. It was with reference to the legal-tender legislation of 1862 that Chief-Justice Chase wrote these words in the Supreme Court decision in the case of *Hepburn vs. Griswold* :

“The legal-tender quality was only valuable for the purpose of dishonesty. Every honest purpose was answered as well or better without it.”

Now let us see how the United States notes—which constitute by far the larger part of our currency other than gold coin—fulfill our currency requirements. These notes are our standard money, since they are legal tender for debts. But considered as standard money they are terribly imperfect, for, like air and water, they have no intrinsic value, though they are very useful. They cost nothing to produce, and are created by the mere votes of Congressmen, and these votes are not even controlled by wise judgment. While through all history men have searched about and tried one material after another in their efforts to find something whose intrinsic value was sufficiently stable to use as standard money, we here in this enlightened country have thrown to the winds all this experience and have passed laws which compel the use as standard money of something which has no intrinsic value.

But it is said, although United States notes are standard money, because they are legal tender, they are also credit currency, and are excellent because they are backed by the promise of the Government, and are therefore as good as gold. Well, considered as credit currency, how fully have they the requisite characteristics? The experts say, and a little thought and investigation must convince everybody of its truth, that in order to be good, currency notes must have such qualifications and be issued under such a system as will insure their frequent prompt and easy redemption. The reason for this is that, if the notes are frequently sent back for redemption to the banks that issued them, the issuing banks must always keep strong in order to redeem, and only as many of the notes can be outstanding as the demands of business keep pulling out again from the banks, and hence that notes so treated will never cause a serious redundancy. Is the frequent, prompt and easy redemption of our legal-tender notes well assured, so that they may not cause redundancy? Why, no; far from it. For a long time they were hardly redeemed at all, because they were as good as gold for every purpose in this country, and the banks willingly supplied all the gold that was wanted for export. During that time their volume was so increased that they became very redundant. And ever since early in 1892 there has been considerable demand for their redemption to get gold for export, which the banks have declined to furnish. We perceive, therefore, that their frequent redemption cannot be carried on without draining the Treasury of gold, or

without taking away that very confidence in the stability of the intrinsic value of our standard money which mankind has been so long struggling to create.

Our importers of merchandise pay into the Treasury no gold for duties, the managers of our banks will not give their depositors any gold, and foreign investors are very slow to buy our securities. They are evidently all of one mind in regard to the demand liabilities of our Government. By their action they say that our Government has abused its power to issue paper currency to a point where it has become doubtful whether that currency will always be redeemable in gold.

The following quotation from President Cleveland's last message to Congress shows as clearly as possible how serious has been the withdrawal of gold during the last five years: "That between July 14, 1890, the date of the passage of the law for an increased purchase of silver, and the first day of December, 1895, or within less than five and one-half years, there was withdrawn nearly \$375,000,000, making a total of more than \$403,000,000 drawn from the Treasury in gold since January 1, 1879, the date fixed in 1875 for the retirement of the United States notes."

In the face of these facts, and of the persistent export of gold, it is idle to deny that distrust and redundancy of our currency are to-day doing us great harm, and that nobody can guess what is to be the outcome.

GOLD EASILY OBTAINED TO REPLACE CURRENCY WITHDRAWN.

On the other hand, if we choose to cancel our legal tender paper gradually—say at the rate of \$50,000,000 per year—we can easily get gold enough to make good the loss of currency so caused, even without any purchase of gold by the Government. Our mines are now producing at least \$30,000,000 of gold per year beyond what is used in the arts. In the ten years between July, 1878 and 1888, we imported \$220,000,000 more gold than we exported, or \$22,000,000 per year. This import of gold was effected without any unpleasant contraction or depression in business, although the annual production of gold in the world was then only about half what it is now; and the gold piled up unused in foreign banks was then far less than now. In fact we all consider those years to have been extremely prosperous, perhaps the most so of any that we have ever had. During the past five years the great foreign banks have added \$554,000,000 gold to their stock, and apparently the banks of France and England alone have to-day somewhere near \$150,000,000 gold beyond what they would ever desire to hold as reserve against liabilities.

Another indication of the ease with which we could get from abroad this \$22,000,000 of gold per year—which we might possibly need to add to our \$30,000,000 annual gold product in order to fill the place of the \$50,000,000 legal-tender notes which we propose to cancel each year—is the fact that between 1851 and 1870 France added something like \$1,000,000,000 gold, or \$50,000,000 per year, to her stock, although these years were a period of rising prices and of great business activity in Europe and here, and although neither the plethora nor the annual product of gold was nearly as great as now.

CANCELLATION OF LEGAL TENDERS THE REMEDY.

It is hard to see any way in which the present excess of currency can be cured except by cancelling legal-tender notes. Our national banks, too, have of late done their share in increasing the redundancy of the currency. Unfortunately the present national banking system puts a great temptation before capitalists to buy bonds and issue currency in order to get double interest when money loans so very cheap as now. And on this account, in the four months between March 5 and July 11, 1895, \$9,000,000 was added to the outstanding bank currency, although money was very cheap and exports of gold were prevented only by main force. This temptation does not exist when money commands a good rate; but so long as the fear of repudiation paralyzes our energies, money will not command a good rate. So, unless our national banking laws are changed, the increase of national bank currency must proceed and must continue to drive gold out of the country. The fact that our national bank currency is for some purposes legal tender and also that its excellence is not at all dependent

on the management of the banks by which it is issued, since it is secured by a first lien on all the assets of the banks and by pledge of Government bonds, prevents its flowing rapidly back to the issuing banks for redemption and helps the redundancy.

The idea that, by accumulating legal-tender notes in the Treasury by sale of bonds, we produce a radical cure of our currency redundancy is shown to be absurd by the action of our former Congresses in appropriating for all sorts of extravagances all the money the Treasury had or could be expected to get. Congress will never allow a great accumulation of legal-tender notes in the Treasury. The only sure cure for redundancy is to create confidence and hence business activity, by cancelling the legal-tender notes.

We can easily buy gold abroad by the sale of low interest-bearing gold bonds at the rate of \$100,000,000 a year when once we have started on the road to currency reform, and thereby have regained the confidence of foreign investors. With this gold we can replace our silver and legal-tender paper, dollar for dollar. Or we shall be perfectly safe from unpleasant contraction by moving more slowly, buying and cancelling say \$50,000,000 legal tender paper or silver each year, and allowing gold to flow in from abroad and new bank notes to be issued to fill the vacuum created.

OTHER AIDS TO RETIREMENT.

We need have no fear of contraction, then, if we decide to gradually cancel our legal-tender paper, even though we do not provide any new mode of issue of bank paper.

We probably should not need to import any gold, but would get enough from our annual product, for the proportion of legal-tender currency to non-legal-tender currency to-day in this country is far greater than is needed; and, doubtless, a great deal of new bank currency would be issued under our present laws, if a demand arose for it, and would be just as useful for our purposes as legal-tender notes. There is undoubtedly also a great deal of gold hoarded in the country at present, and this would be brought into circulation. Another source of help to our gold supply would unquestionably be the sending by Europeans of a great mass of foreign capital to this country for investment as soon as we set out on the path of currency reform.

But something further will still remain to be done. The people in a large part of the country cannot afford to use as much metallic currency as they need for the proper facilitation of their exchanges. They want plows, shoes, etc., too much to be able to lock up their capital in currency, since it will not serve for tools nor for either of the four great primary wants of man, namely, food, fuel, shelter and clothing. Far less can these people afford to take out currency under the National Banking Act. That act compels the locking up of some twenty per cent. more capital than the amount of currency issued. The increased rate of interest, which tempts capitalists, who can get only three per cent. for money, to avail themselves of that act, is no temptation to these poorer people among whom interest is very high, and to whom the loss of interest on the extra capital locked up is a very serious matter. Nor is it so much a question of the rate of interest with them. It is a real absence of floating capital that they suffer from; and they ought to be allowed to issue currency from their banks on conditions which do not involve the locking up of so much capital. What regulations should be imposed on these banks is a proper subject for careful investigation by a commission of experts.

WHAT ACTION SHOULD BE TAKEN.

On this point I submit the following, which has already received the approval of many of those in whom I have confidence:

To the Honorable Senate and House of Representatives:

We have greater producing capacity, man for man, than any other country, and better opportunities in our climate, soil and mines. Therefore, all we need to give us the industrial supremacy of the world is the policy of using for standard money currency that commands the full confidence of everybody—that is to say gold—and for representative money only bank notes issued under the best laws.

Our using for standard money greatly overvalued silver, and notes issued by a department of the Government, has always caused some distrust.

For the past eight years we have had in circulation too much currency issued by the Government—more than we could economically use—and therefore in each of those years we have exported more currency (gold) than we have imported, to the average extent of \$35,000,000 per year; and we are even now still exporting gold, although at this season we ought to import it. For more than three years past all the gold for export has been taken from the Treasury, while almost none of that imported had come into the Treasury.

The result now is that fear lest our paper and silver be not maintained at par with gold causes great anxiety as to the value of the \$25,000,000,000 contracts payable in this country in lawful money. This fear and this anxiety paralyze our energies, curtail the consumption and production of commodities and the interchange of services, and reduce the aggregate incomes of the people of this country by probably as much as ten per cent., which is at least \$1,000,000,000 per year.

The gold hoarded in this country, the accumulations of idle gold in Europe, and the rapid increase in the gold production of the world make it perfectly easy for us to replace with gold all our paper and silver legal-tender currency at the rate of \$100,000,000 per year. That gold will flow here freely in accordance with the laws of trade when once we begin on the reform of our finances must seem clear to any one who studies the experience of France between 1851 and 1870, and of our own country between 1878 and 1888, when gold was much less plentiful in the world than it is now. And the banks will only too gladly issue additional currency if any good use can be found for it. On the other hand, under a good banking system it would be impossible for the banks to inflate the currency beyond the needs of business, because any excess would be promptly presented to them for redemption in gold.

We respectfully ask that you will adopt legislation under which the Secretary of the Treasury shall be authorized and directed—

First, To keep his gold-reserve and note-redemption transactions separate from the other receipts and outgoes of his department, and never to use for appropriations and expenses notes which have come into the Treasury for redemption in gold.

Second, To sell abroad for gold, at his discretion as to times and amounts, Government bonds payable in gold, and with the gold so procured to redeem the United States Treasury notes of 1890 as rapidly as he deems prudent and possible, and to cancel and destroy all notes so redeemed.

We also respectfully ask that you appoint a commission of experts and give them power and authority to make a thorough study of the banking systems of the world, and of the conclusions of other experts, and to report in January, 1897, such changes as they deem desirable in our banking laws.

If not, why not?

APPENDIX.

Per Capita Circulation in the United States.

1800....	\$4 99	1839...	\$13 26	1851...	\$13 76	1863...	\$17 84	1875...	\$17 16	1887...	\$22 45
1810....	7 60	1840...	10 91	1852...	14 63	1864...	19 67	1876...	16 12	1888...	22 88
1820....	6 96	1841...	10 59	1853...	15 80	1865...	20 57	1877...	15 58	1889...	22 52
1830....	6 69	1842...	9 02	1854...	16 10	1866...	18 99	1878...	15 32	1890...	22 82
1831....	7 04	1843...	7 87	1855...	15 34	1867...	18 28	1879...	16 75	1891...	23 41
1832....	8 64	1844...	8 68	1856...	15 16	1868...	18 39	1880...	19 41	1892...	24 44
1833....	8 60	1845...	8 95	1857...	15 81	1869...	17 60	1881...	21 71	1893...	23 85
1834....	8 64	1846...	9 43	1858...	13 78	1870...	17 50	1882...	22 37	1894...	24 30
1835...	9 86	1847...	10 59	1859...	14 35	1871...	18 10	1883...	22 91	1895...	22 96
1836....	13 17	1848...	10 66	1860...	13 85	1872...	18 19	1884...	22 65		
1837....	13 87	1849...	10 34	1861...	13 98	1873...	18 04	1885...	23 02		
1838....	12 33	1850...	12 02	1862...	10 23	1874...	18 13	1886...	21 82		

THE GADARENE PIGS.



MATT. IX. 31. So the devils besought him, saying, If thou cast us out, suffer us to go away into the herd of swine.

32. * * * And when they were come out, they went into the herd of swine; and, behold, the whole herd of swine ran violently down a steep place into the sea, and perished in the waters.

RESULT OF FREE SILVER.—No invasion of hostile armies, burning and destroying as they advance, could by any possibility equal the desolation and ruin which would thus be forced upon the great mass of people.—*Professor J. Lawrence Laughlin.*

The more I have thought upon this question the more profoundly impressed I am that more people are concerned in the quality of the money, of actual money, than in its quantity.—*Ex-Secretary Charles S. Fairchild.*

SOUND CURRENCY.

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Each number contains a **special discussion** of some Sound Currency question.

The office of Congress in this case is simply to see to it that the notes of the State bank are constituted a sound instrument of exchange, safely usable, when necessary, in any part of the country. To insure that object, all that is needful is to require as a condition precedent to issuing such paper that it shall be subject to guarantees identical with those suggested as for the National banks, namely :

- (1) *That the issues of banks doing business under the laws of a State shall not exceed in amount 75% of their paid-up capital ;*
- (2) *That the notes of such banks shall constitute a first lien upon the whole assets of the bank and upon the duplicate liability of the stockholders ;*
- (3) *That a series of central agencies shall be established for the redemption of their notes ;*
- (4) *That these banks shall be subject to regular official examination ; and*
- (5) *That State banks conforming to these conditions shall be exempt from the 10% tax ; while all banks issuing notes in non-compliance with these stipulations shall remain subject to a tax of 10% on all such issues.*

OUR PAPER CURRENCY.

AS IT IS AND AS IT SHOULD BE.

W. DODSWORTH.

	PAGE.
A CENTURY OF MONETARY FAILURES.....	166
MEASURES OF REMEDY.....	167
HOW SHALL THE LEGAL TENDERS BE RETIRED ?.....	169
THE NATIONAL BANKS AS A FACTOR IN CIRCULATION.....	170
THE FAULT OF THEIR GUARANTY SYSTEM.....	170
AN AMENDED GUARANTY.....	171
LIMITATION UPON ISSUES.....	171
IS THE PROPOSED GUARANTY SUFFICIENT?.....	172
THE STATE BANKS A NECESSARY FACTOR..	173
THEIR PRESENT STATUS.....	173
RIGHTS AND DUTIES OF GOVERNMENT.....	174
CURRENT REDEMPTION OF NOTES.....	175
THE VOLUME OF THE CURRENCY.....	177
THE SILVER FACTOR.....	177
SUMMARY OF FOREGOING PROPOSALS	178

A CENTURY OF MONETARY FAILURES.

Whatever reasons for a high national pride the American people may legitimately advance, their monetary history is not one of them. A century of effort to produce a scientific, sound and convenient circulating medium has been productive of lamentable failure. We began our experience with fiat government paper. After the disastrous failure of that folly, we tried the expedient of issuing notes by two specially authorized United States banks; which equally ended in disaster, alike to the banks and the public. From an early period in the century up to 1864, our chief dependence for circulation was upon banks chartered by authority of the States, of which, in 1860, some 1,600 were putting out circulation to the amount of \$202,000,000. Those issues were so inadequately guaranteed and the provision for their redemption was so imperfect, that the public became wearied of the uncertainty of their value and the losses to which the note-holders were exposed. The people, therefore, were only too glad to hail the supersedure of the State bank issues by the more carefully guarded circulation provided under the National Banking Act of 1864.

That enactment, however, was dictated by the necessities of war finance; its main purpose being to provide a fixed resting place for a large amount of Government bonds. With that end in view, banks issuing under this law were required to deposit with the Treasury United States bonds to the extent of about 11 per cent. in excess of the amount of their circulating notes; and, in order to bring under the new system the largest possible number of banks, the State institutions were prevented from issuing by the imposition of a tax of 10 per cent. per annum on their outstanding notes. This system, it is true, remedied the worst defect of the State bank notes—the varying discounts from their value;—but the severity of the guarantee has had the effect of driving one half of the national currency out of circulation, thereby creating a popular demand for silver money and seeming to justify it. As a means of providing an adequate supply of bank circulation, the national system has thus largely failed of its purpose. So far as respects bank and State paper, we have, therefore, had four successive and complete failures within the century.

The emergencies of the war period forced into our currency arrangements elements still more vicious than those above specified. We have now outstanding \$345,000,000 of greenbacks, then issued as a forced loan. Behind them there is no fixed guarantee, beyond a promise to maintain a reserve of \$100,000,000 in gold, in order to provide for their current redemption; of which promise the less said the better, in view of its perpetual infraction within the last two years. The constitutionality of these issues still remains gravely uncertain. They act as a constant menace to the credit of the Government, and serve as a precedent and an encouragement to further prostitutions of State powers to semi-banking functions. The notes are the more dangerous because of their legal-tender quality, which constitutes them the chief element in bank reserves and a money of final settlement that surrounds investments with the gravest uncertainties. Most inexcusably, since 1890 the quality of these notes has been further deteriorated by the issue of \$150,000,000 of Treasury notes against purchases of silver, which are also an unlimited legal tender, and are, equally with the greenbacks, a claim upon the \$100,000,000 gold reserve. The uncertainty of this joint reserve against the two classes of notes is illustrated by the fact that in February, 1895, it stood at a fraction over 8 per cent., the original legal intent being that it should be 30 per cent. Such is the quality of our much-belauded legal tenders. Is it strange that the country should have become impatient to get rid of them?

The manifold defects of our bank and Government paper have been tenfold aggravated by the forced issue of \$550,000,000 of silver money at a coinage valuation double that of the bullion value of the contents. This silver currency being a full legal tender,

our \$500,000,000 of legal tenders and our \$200,000,000 of bank circulation are alike redeemable in the depreciated coin, and must be actually so redeemed in the event of the Treasury being unable to meet its obligations in gold—a catastrophe which has been twice most perilously imminent within the last twelve months.

We have thus tried within the first century of our national existence no less than six systems for satisfying our currency requirements, each of which has demonstrated its rottenness or its insufficiency by its failure. We have to-day seven distinct forms of currency independently of subsidiary money, only two of which—gold coin and gold certificates—can be regarded as really sound money; and we have consigned nearly as many more to the limbo of monetary abortions. By the policy of arbitrary issues we have swelled the proportionate supply of money beyond all normal requirements, the amount of currency having risen from \$13.85 per head of population in 1860 to \$24 in 1893. Our system is utterly devoid of homogeneity. We have two standards, between which there is a daily varying divergence. We have \$550,000,000 of coin intrinsically worth only fifty cents on the dollar. We have \$500,000,000 of notes which, though supposably payable in gold, have very recently been on the verge of becoming redeemable in a coin which has lost half its legal value. We have \$200,000,000 of bank paper which, though sure of liquidation in full, has yet no guarantee as to the value of the money in which it may be redeemed. We are supposed to have \$600,000,000 of gold, which is the only money we possess that can be considered fit for the purposes of a rich and honorable nation. The Legal Tenders are supposed to represent gold either in hand or procurable when wanted. But the truth is that the ability of the Government to honor its notes is wholly dependent on the metropolitan banks, which can, at their pleasure, either deprive the Treasury of its sole gold income by giving out paper to pay customs duties, or withdraw from the Treasury all the gold needed for the export of that metal—a policy which the banks have actually enforced for the last three years, with the result of twice bringing the Government to the verge of suspension of gold payments.

This is the situation into which our monetary system has drifted through permitting the Government to become the creator and, directly or indirectly, the sponsor of three-fourths of our enormously inflated circulation. These, expressed in very general terms, are the features of the monetary disorganization which awaits remedy.

MEASURES OF REMEDY.

The first step toward educing order and soundness out of this medley mass of monetary instruments must be the retirement of the paper legal tender, consisting of \$846,681,000 of United States notes, or “greenbacks,” and \$150,705,000 of Treasury notes, generally known as “Sherman notes.”

Few nations have escaped the temptation to issue paper legal tender under pressure of fiscal emergencies; and the result has almost invariably been dishonor to the credit of the Government, and disaster to the interests of the people. Our own experience under this form of borrowing has been little exceptional to the rule of the world. It must be conceded, however, that the greenbacks have a history which has won for them a certain degree of popular attachment. They helped us through the straits of our war finance. Since the resumption of specie payments they have suffered no taint of credit. For the principal uses of money they have been practically “as good as gold;” and the world over they have ranked with the notes of the Bank of England, or the Bank of France, or the German Reichsbank. Thus it has come to pass that the greenback has acquired a prestige which has made it a fundamental factor in our monetary system.

Popular preferences, however, are not always infallible; and experience is always demonstrating how easily a fatal fallacy may lurk in the shadow of a conventional idol. When United States notes were first authorized, the expedient was widely con-

demned by the intelligent sentiment of the country, and, still more, by the expert verdict of bankers. None pretended to defend them on principle; many questioned their constitutionality; and the Legal Tender Act was acquiesced in only as an inevitable resort of war finance. The issues were kept in check as far as possible and were assumed to be only transient. For some years after the war, the conservative opinion of the country was in favor of repealing the Legal Tender Act, and the last thing thought of was that the notes should be assigned a foremost rank in our various forms of money. The instrument that was first condemned on economic grounds and distrusted for its illegitimacy as a creation of Government has at last, however, become the chief corner stone of our banking economy and of our credit structure.

And yet there is not one of the reasons originally urged against this strained exercise of power that does not equally hold good to-day. It is contrary to every legitimate function of government that the Federal Power should in times of peace undertake to guarantee credit money for the people. The Government may properly "coin money" for the owners of bullion; fix its weight, fineness and value; and devise its image and superscription; but any authorization supposed to be conveyed by the language of the Federal Constitution beyond this comes only of the most violent construction of the plain terms of that charter. The Legal Tender Act is purely an unrestrained exercise of the power of arms that overrides even fundamental law. Its only warrant is the brute maxim, "*inter arma silent leges.*" As a subjection of law to an extra-legal necessity, it should have been tolerated for no longer than while the necessity which gave it birth remained in force. The needless prolongation of this act is a deliberate, perpetual violence to the fundamental law of the Republic; and its unopposed toleration is calculated to vitiate that jealous respect for Constitutional authority on which the safety of our institutions supremely depends.

It is scarcely possible to conceive of a more vicious perversion of the functions of government than the issuing of a paper currency based upon the mere credit of the central power. The issuing of a circulatory credit is distinctly a banking function, and, as such, cannot be properly done by a government, which has no right to assume fiduciary responsibilities in behalf of private interests. Its legitimate debts are more than a government is wont to care for wisely; why then should the State assume sponsorship for a vast amount of demand liabilities in behalf of merchants and bankers whose natural business it is to provide these instruments, and who best understand the requirements of the case? Governments are exposed to special risks and to wide irregularities of income and expenditure, which, by endangering their credit, expose their currency obligations to depreciation, to irredeemability and even repudiation. At one time or another, state currencies are sure to be overtaken with these defaults; when the investments and the commerce of the nation suffer accordingly. In order to maintain its stability of value, credit money should always be guaranteed by convertible assets, readily within reach of the law; but how can a government be assured of having a sufficiency of available assets whenever its note-holders please to demand the redemption of its notes? The State may provide a gold reserve against its issues; but how surely do other more urgent demands of government divert such reserves to other purposes! It may have the power to tax the people to pay its notes; but how rarely is a legislature found willing to authorize taxation for any such purpose! If a people cannot be trusted to provide their own credit money, certainly the State cannot; for no government has practically a financial resource equal to that of its organized citizens, nor a steadiness of control over its means comparable to that of the voluntary action of the people at large.

The recent position of the United States Treasury affords a fair illustration of what may at an unexpected moment befall a government which has undertaken to furnish paper circulation for the people. Though its long obligations may enjoy the highest credit, its demand notes may be thrown into sudden default, and plunge the nation into consequent panic.

Again ; note the dangers of constituting government legal-tender notes the money of banking. Our banks have been accustomed to hold about one-half of their cash reserves in this form of currency ; nor could they have avoided so doing if they would ; for the available supply of gold coin has not been sufficient for their whole reserve requirements. And yet what is to-day the basis of this form of money ? The Government reserve has fallen to half its legal volume—and this at a time when the distrust against silver is causing an accumulation of gold by all the European national banks, the United States being thereby directly exposed to an exhaustive drain upon their stock of gold. Under these exigencies, the notes are used as a means of getting gold out of the Treasury for export, and for paying customs duties in lieu of gold. The Government reserve thus diminishes at both ends—from an increase of withdrawals and a loss of specie income, both movements tending to discredit the notes, and compelling large loans to replenish the reserve, but without stopping the drain. Can it be considered a legitimate factor in our banking system that the banks should be compelled to hold a large portion of their reserves in a form of currency subject to these dangerous vicissitudes and to being used for purposes hostile to the public credit ? The vitiation that the Legal Tender Act has introduced into our currency system inevitably extends itself into our banking system, and the credit of the nation and the fabric of commerce and finance are together sapped at their foundations. The crisis from which we are just escaping has lifted the veil that has so long screened the unsuspected dangers lurking in that act ; and at last the country has become impatient for the expurgation of this vicious element from our currency system.

HOW SHALL THE LEGAL TENDERS BE RETIRED ?

The question next arises, by what means shall the retirement of the Legal Tenders be effected ?

1. The law enacted for this purpose should prohibit, from the date of its operation, all reissues of the notes, and provide for their cancellation as they are redeemed. Two requirements attendant upon such cancellations would have to be anticipated. The Treasury would need to be furnished with the means for the redemption of its notes ; and the contraction of the currency would have to be prevented by the simultaneous issue of some other form of money to an extent about equal to the retirement of the greenbacks.

2. For the first of these purposes and, to a certain extent, for the second also, the treasury gold reserve, be it the legal \$100,000,000 or less, would be available. After that resource would come the \$50,000,000 a year, or thereabouts, required by law for the Debt Sinking Fund, which could be as lawfully applied to this purpose as it is to the liquidation of the funded obligations. Should the current surplus revenues be insufficient for this requirement, the deficiency could be made up from a tax to be devoted to this specific object. Another resource for the liquidation would arise from the silver bullion held against the Sherman notes, which, sold at the present market price, would probably realize about \$96,000,000. It may be assumed that a certain amount of the greenbacks would be found to have been lost or destroyed during the thirty years of their use, so far reducing the amount to be redeemed. Estimating that item at say \$20,000,000, the sum of both kinds of legal tenders to be liquidated would be \$480,000,000. In order to accumulate these amounts, from the sources mentioned, the receipts from revenue, being gradual, the process of retirement would have to be extended possibly over six years. Considering the delicacy of the operation, the importance of avoiding large and sudden dislocations of money, and the uncertainty about the replacing of the retired notes being effected, *pari passu*, by new bank issues, prudent financiers would, perhaps, think that a period by no means too long for insuring a smooth working out of the process.

3. Should objection arise against any of the foregoing means of payment, the only remaining alternative would be to issue short-date low-rate bonds to such amount as

might be required, the bonds to be liquidated from surplus income at the convenience of the Treasury. It is doubtful, however, whether public opinion would prefer such an alternative to that of paying the notes directly from current income and from assets already in the Treasury. Resort to borrowing, however, might facilitate the completion of the transition in a considerably shorter period than would be possible under the other plan, should expedition be deemed, on the whole, desirable.

Carefully considered arrangements would need to be devised for keeping an even pace between the retirement of the legal tenders and the outputting of the currency authorized to fill their place. What the substitute currency should be is the next question for consideration.

THE NATIONAL BANKS AS A FACTOR IN CIRCULATION.

THE FAILURE OF THEIR GUARANTY SYSTEM.

The National Bank Act requires that banks issuing circulation thereunder shall deposit United States bonds with the Treasury as a guaranty against the notes; in consideration of which the Government becomes responsible for their final liquidation, the ratio of the guaranty being \$100 of bonds to \$90 of issues.

This method of protecting the notes was first introduced principally for the purpose of creating a market for a large amount of Government bonds under the exigencies of war, and not because it was the only or the best available means for affording a perfect guaranty. Of course, the security has proved superfluously ample; broader indeed than that of any other bank notes in the world, not excepting those of the Bank of England. But it is possible that a guaranty may be made needlessly broad and exacting and that it may prove positively and gratuitously harmful to the debtor. And such is the fact in respect to the security provided in this particular case. It not only requires a deposit exceeding in market value that of the notes issued by 25 to 35 per cent., but, by putting such a large amount of its capital beyond control, it tends to deprive the bank of that freedom in handling its resources which is essential to making the most of its facilities, to meeting emergencies, and to efficient management generally. The effect of this excessive guaranty is expressed,—and yet but partially,—in the fact that, in spite of the constantly increasing needs for circulation, the note issues of the National Banks declined from 360 millions in 1882 to 180 millions in 1890; or, to put the declension in a more significant form, we cite from the Treasury Report of 1890 (p. 35) the fact that, “in 1886 the percentage of circulation to capital, surplus and undivided profits was about 45 per cent., and is now (1890) less than 13 per cent.” Other injurious effects have appeared in the transfer of many banks from National to State charters, and in a much lower ratio of growth among the national institutions than has occurred among banks operated under State laws. It is thus manifest that the present system of bond deposit is destructive not only to note issues, but also to that free use of resources which banks must have if they are to be allowed to live and to confer the largest possible benefits upon the community.

The Bank of England affords about the sole precedent for this form and rate of guaranty. That institution, however, needed to be guarded by entirely exceptional precautions, for the reason that it is a National bank, on which the fluctuating fortunes of the Government and the finances of the immense colonial and foreign interests of the Empire, as well as the large banking interests of London, were intended to be immediately dependent; the ordinary issuing banks, be it noted, being free from any legal stipulations for the protection of their notes. Of course, no mere note-holder would, as such, object to the notes of our banks being guaranteed in excess of their value; and it is undoubtedly their excessive guaranty that has made them popular and given them unchallenged currency from Maine to California. But there is such a thing as a guaranty exceeding immensely all legitimate necessity, which is a bad principle of contract. There is such a thing as a guaranty exceeding what a guarantor

can afford ; which, when compelled by legal power, is a public wrong. There is such a thing as imposing a rate and kind of note guaranty which prohibits issues and deprives the people of the circulation they need and to which they have a right ; and that process of strangulation is exactly what the existing law is now mercilessly enforcing. *Economy in guaranty, not exorbitance*, is the legitimate principle. An excess of guaranty also carries the unwholesome consequence of lessening the inducements for enforcing redemption, thereby impairing that elasticity in the circulation which is necessary in order to keep its volume always adjusted to the ever-varying requirements of business. These faults have become so generally appreciated alike with the public and the banks, that the necessity of a new form of protection is now well nigh universally conceded.

AN AMENDED GUARANTY.

A true, natural and sufficient guaranty would be provided by a law permitting any bank with a capital of not less than \$25,000, to issue circulating notes, to the maximum extent of 75 per cent. of the bank's paid-up capital, on the stipulations following : (1) That the notes shall be a first lien upon the whole assets of the bank and a claim upon the stockholders to the amount of their stock ; (2) That redemption agencies should be established of a nature that would certainly insure effective check upon over-issues ; (and 3) That the enforcement of these regulations should rest with the Federal authority. More on this later.

THE LIMITS OF ISSUE.

For the purpose of preventing issues of notes out of due proportion to the resources of the bank, it is important to impose a maximum limit at which emissions must stop. That limit may, perhaps, be best defined by fixing it at a uniform percentage of the capital. The considerations determining what would be a proper limit relate principally to keeping the demand obligations of the bank within safe limits, and to the public requirements for circulation. The maximum of issue, it would seem, might be safely fixed at 75 per cent. of the capital. At first sight that may appear a high ratio, and, compared with some antecedents, it is so. For the ten years next preceding the war, the circulation of the State banks averaged 53 per cent. of their capital. And in the year 1873, when the circulation of the National banks reached its highest point, the amount of notes outstanding was, on the average, equal to 70 per cent. of the capital. But, in estimating the former of these precedents, it is to be considered that the ability and *morale* of bank management in those times ranked so far below that which now exists that the ante-war experience affords a very imperfect criterion as to the measure of discretion that might be safely conceded now, when our banking is conducted with a moderation and conservatism surpassed perhaps nowhere in the world. The precedent cited from the experience of the National banks is almost identical with the ratio above suggested. Due importance, however, should be attached to the fact that the surplus of the banks is in the nature of capital, and should therefore be taken into account in determining this factor. In October, 1894, the capital of the National banks was \$668,800,000 and their surplus \$245,200,000, making a total of \$914,000,000 of virtual capital. It is not easy to see how it could be deemed an undue license to permit issues up to 75 per cent. of the formal capital when it is backed by such a large amount of surplus capital.

To the practical legislator, who has to respect the popular clamor for "plenty of money," it may seem important to know what amount of currency the National banks could issue under this proposed limit. With a capital of \$675,000,000, the present amount, assuming each bank to issue to its maximum allowance, the combined banks would have an issue power equal to \$506,000,000. Deducting from that the \$200,000,000 of old notes already outstanding, they could issue, under the suggested new authorization \$306,000,000. It is not supposable, however, that they would issue to

an extent at all approximate to the legal maximum ; nor would it be desirable that they should do so. Under normal conditions, banks never work up to their legal limitations, but prudently maintain a considerable margin for elasticity. It would be a liberal estimate to suppose that, on the average, the issues would not exceed 60 per cent. of the capital. This would mean an issue, as against the now existing capital, of \$405,000,000. Deducting from this the now outstanding \$200,000,000, there would be a remainder of \$205,000,000 available for offsetting the contraction arising from the cancellation of the \$500,000,000 of legal tenders. It might be expected, however, that the new conditions of issue would cause some increase in the amount of bank capital, which would broaden the capacity for issuing notes. What that increase might possibly be, may be inferred from the fact that, for the eleven years, 1880-1891, the annual growth of the capital of this class of banks averaged \$20,500,000 ; which would permit of a yearly addition of \$12,000,000 to \$15,000,000 in the volume of these notes. It may, however, be considered reasonably probable that under the suggested changes in the National system, the capital would increase in a higher ratio than it has during the last decade. It is not, however, at all presumable that the National banks could alone supply the whole amount of notes required to offset the retirement of the legal tenders. Another important source of issue must be provided, to which reference will be made later.

IS THE PROPOSED GUARANTY SUFFICIENT ?

On this question the writer takes the liberty of quoting the following from his testimony given before the House Committee on Banking and Currency in December, 1894 :

“ There can be no possible question about the sufficiency of such a guaranty. The doubt would rather be whether it would not be really excessive. Assuming the improbability that the failed bank had outstanding an amount of notes equal to the suggested maximum, namely, 75 per cent. of capital, even then the guaranty afforded by the shareholder alone would exceed by one-third the amount payable to the note holders, and the assets of the bank would be so much further surplus over the note liabilities.

“ With the combined guaranty from assets and stockholders, the protection would be more ample than that afforded by the existing deposit of bonds ; the only difference being the minor one that, under the new method, the notes might not be redeemed with quite the same promptness as they are under the now existing arrangements. Considering, however, that there could be no question about the ultimate full payment of the notes, there would be no reason why they should not continue to circulate until the holders were notified by the Receiver to present them for redemption.

“ This amplitude of guaranty is suggested, not because there would be any commensurate risk attending the notes, but because the public are excessively sensitive about the safety of the bank currency, and it is necessary to guard against all possibility of such distrust by providing a protection which makes depreciation of the notes conspicuously impossible. The guarantors need not object to the excess of guaranty, for it does not affect the amount of their actual liability, which really is, on the whole, a relatively small affair. During the unprecedented bank panic of 1893, the failures of national banks represented only four-tenths of one per cent. of the entire capital of those institutions.

“ The experience of the national banks affords data from which the risks on bank circulation may be fairly estimated. For the last thirty years, covering two great panics and two minor ones, the total amount of the capital of banks which went into the hands of receivers averaged \$1,464,000 per year. The average amount of the capital of all the national banks during that period was about \$400,000,000. The proportion of the capital on which failures occurred to the total capital of all the banks was therefore a little over one-third of 1 per cent. There is no apparent reason why this ratio

should not be maintained in the future. Upon the present \$1,000,000,000 of National and State capital (assuming that the latter were allowed to issue), the yearly failures might, according to this rule of experience, be expected to cover about \$3,600,000 of capital.

"Assuming that the banks were permitted to issue notes to the extent of 75 per cent. of their capital, but kept out only 60 per cent.—which I take to be a reasonable estimate—we should then have an annual crop of about \$2,160,000 of insolvent notes, which would be equivalent to a fraction over one-fifth of one per-cent of the whole banking capital. Against this would stand a total of \$4,240,000,000 of bank assets and a stockholders' pledge of \$1,000,000,000, in all \$5,240,000,000, upon which the note holders would have a first lien. It therefore hardly seems necessary that either stockholders, depositors or note holders should feel any serious concern about the risks attending note issues, or the nature or sufficiency of this proposed guaranty. If stockholders or depositors should desire to protect themselves against the guaranty given to the note holders, it would probably be found that the risk could be insured from year to year for a surprisingly nominal consideration."

It is doubtful if, in the whole range of financial operations, many other instances could be cited of such a diminutive ratio of hazard. The reports of the Comptroller of the Currency show that, under the national bank failures of the thirty years from 1864 to 1893, the amount collected from general assets was \$60,477,000, and from shareholders \$8,388,000; from which it is inferable that, as a rule, the stockholders have had to furnish only 12 per cent. of the amount contributed toward liquidation, the remaining 88 per cent. being derived from assets. These facts justify the conclusion that while the stockholders' guaranty would more than cover the note liabilities, yet, as a rule, it would be rarely necessary to call upon them; inasmuch as, from data of experience, it is reasonable to expect that the notes would not be found to exceed one-fourth of the total liabilities of the bank. Under these circumstances, it appears safe to conclude that the suggested guaranty from assets and shareholders combined would be found in practice to afford a larger ratio of protection than the deposit of United States bonds under the National system, or the gold and consols guaranty of the Bank of England.

THE STATE BANKS A NECESSARY FACTOR.

THEIR PRESENT STATUS.

Public attention is awakening to the question whether the banks operating under State charters are equitably treated as to their right to issue notes.

Previous to the war that right had been unquestioningly conceded. Pending the war it was held in abeyance, under what were deemed expediencies of war finance. Congress thought it expedient to win, as far as possible, the support of the banks for sustaining the resources and credit of the Federal Government. For that purpose the National Banking System was created; and in order to bring into the new system the largest possible number of the State banks, a tax of 10 per cent. was put upon their circulation, while the tax upon the circulation of the new class of institutions was fixed at 1 per cent. Both taxes still remain in force, their effect being to entirely prevent issues by the State banks and to restrict them by the National institutions.

Whether this extreme discrimination was justified by the military necessities of the times may be conceded to be an open question; but that its perpetration for thirty years amounts to a grave political injustice will admit of little doubt among unbiased judges. It is the consciousness of a virtual wrong in the relations of this class of banks to the law that is now raising this question for an equitable adjustment. It is contrary to the equitable principles of American government, if not to the written Constitution upon which it rests, that our banking institutions should be invidiously divided into one set to which the valuable right of issuing notes is conceded, and another from which that privilege is indirectly, but not the less completely, withheld. It

establishes an unwarrantably arbitrary precedent, the least fault of which is that it conspicuously encourages abuses of Federal power in other directions.

It is to be conceded that there has been some measure of excuse for this long tolerance of a manifest public wrong. Much of the ante-war bank circulation was unsound in quality, liable to frequent default, subject to heavy discounts, and too often becoming almost worthless in the hands of the holders. On the contrary, the National bank notes have been entirely exempt from these faults; and the public, always too willing to sacrifice rights to convenience, have consequently been willing to allow the State banks to suffer a protracted penalty for their lax care for the credit of their notes. The experience of the last thirty years, the improvement in banking methods, the more educated intelligence of bank officers, and the more exacting demands of the public as to the quality of the circulating medium have changed all this, and "wild-cat" currency is no longer a possibility.

RIGHTS AND DUTIES OF GOVERNMENT.

To reach a fair conclusion on this matter it must be, first of all, granted that this is an affair in which the Government has certain rights and obvious duties. It is a proper function of a government fashioned after even the most liberal ideals to see to it that the currency shall be a safe and convenient instrument for effecting the exchanges of the community. It is not safe, it is not good public policy, that paper circulation should be exposed to depreciation, nor to lack of facilities for its redemption, nor to redundancy or deficiency of supply. The notes go into all hands in all parts of the country, and where no estimates can be formed of the solvency of the issuers, they are to all intents and purposes a public instrument about which practically no inquiry as to merits can be made. The quality of this form of money is therefore a matter about which it is the imperative duty of the National Government to concern itself. This principle is fully recognized in the powers conferred by the Constitution upon the Federal Government for regulating the coinage and legal tender, and also consonant with the large discretionary power conferred by that charter for regulating commerce as between the States.

About the exercise of these powers by the central authority no serious question is likely to be raised, nor need it be in order to reach a just conclusion. But does it follow that the national authority, in exercising these large rights of regulation, is warranted in applying them through the indiscriminating enforcement of a prohibitory tax? As a rough and ready exercise of the war power it might be excused; but as a peace measure it is an inexcusably harsh, unjust and unintelligent method of employing the regulatory function. In the exercise of this power there should be a just discrimination between prohibition and regulation proper. All that can be expected from the Federal authority is that it see to it that the notes issued by the States are of proper quality. That is a duty required by the common safety and welfare, and one which the separate States cannot be solely left to enforce; but to unconditionally exclude the State issue of notes is an unwarrantable abuse of power and equally hostile to the public interest.

In brief, then, the office of Congress in this case is simply to see to it that the notes of the State banks are constituted a sound instrument of exchange, safely usable, when necessary, in any part of the country. To insure that object, all that is needful is to require, as a condition precedent to issuing such paper, that it shall be subject to guaranties identical with those suggested (at p. 7) for the National banks, namely:

(1) That the issues of banks doing business under its laws shall not exceed in amount 75 per cent. of their paid-up capital.

(2) That the notes of such banks shall constitute a first lien upon the whole assets of the bank and upon the duplicate liability of the stockholders.

(3) That a series of central agencies shall be established for the redemption of their notes.

(4) That these banks shall be subject to regular Federal examination ; and

(5) That State banks conforming to these conditions shall be exempt from the 10 per cent. tax, while all banks issuing notes in non-compliance with these stipulations shall remain subject to a tax of 10 per cent. per annum on all such issues.

Under such conditions, the issues of the State banks would be identical with those suggested as for the National banks, and the Federal supervision over each class would be the same. The State Governments, however, would need to conform their banking laws to the new conditions; which would be readily done when non-compliance involved the exclusion of their banks from the privilege of issue.

The admission of the State banks to this privilege is more than a question of political equity—it is a condition absolutely essential to the success of the programme for retiring the legal tenders. On a previous page facts are stated which show that, supposing the process of retirement to occupy five years, the net increase of National bank currency available for replacing the greenbacks and Sherman notes could not, at the end of that period, be expected to exceed \$275,000,000 ; which would leave \$225,000,000 of circulation to come from some other source. The assertion will hardly be disputed that *there is no such other source except in the State banks.*

What amount could the State institution contribute toward this required \$225,000,000 of notes ? The capital of the banks at present organized under the State laws aggregates close upon \$300,000,000. Assuming them to be allowed to issue circulation, it would, perhaps, not be an improbable supposition that, at the end of the five years allowed for the retirement of the legal tenders, their total capital might have risen, under the new inducements, to \$350,000,000 or \$400,000,000. Let the figure be taken at \$360,000,000. Should they put out notes to the extent of 60 per cent. of capital, as above supposed in the case of the Nationals, they would then have outstanding at the end of the transition \$216,000,000 of notes, or \$9,000,000 less than sufficient to compensate for the deficiency in the contribution from the National banks. It will thus be seen that the enfranchisement of the State institutions would make possible the complete abrogation of the legal-tender notes ; while without that assistance their retirement is positively impossible, and it would be virtually reckless to undertake the change with any better expectation whatever. Conceptions of local interest, of banking prejudice or of sectional prestige may stand in the way of authorizing State issues ; but all such objections must be surrendered if the nation is to be saved from the perils attending our legal-tender paper.

CURRENT REDEMPTION OF NOTES.

With a volume of \$500,000,000 of bank currency, to be steadily increased with the growth of the country, arrangements for redemption of the notes must be provided very different from those existing under the National system.

It is to be conceded that the proposed enlargement of the freedom of issue might easily run into an excessive supply of circulation and an illegitimate expansion of bank credits. That possibility is so obvious that a measure which failed to provide protection against such a result would be radically defective, and, after brief trial, would bring upon itself the condemnation of the conservative sentiment of the country. The only safe means of preventing such a failure is to provide arrangements which would allow the utmost facilities of dispatch and economy for forwarding the notes for redemption. In devising such arrangements, it is important to keep in mind who are the parties to use them. The general public have little interest in redemptions ; for they have no reason for desiring to change one form of money for another. The redemption agency is purely a banker's institution. The notes flow into the banks in the way of deposits, and it is to the interest of the bank receiving them to exchange them as soon as possible for "lawful money." In so doing, the bank makes so much more room for paying out its own notes, and at the same time strengthens its own lawful money reserves. There is a constant competition between the banks to occupy

the field of circulation, each one seeking to get out and keep out its own notes, and using the redemption agency as a means of pushing into retirement the issues of its competitors. This competition is the truest possible regulator of a banknote currency. It permits expansion of the volume when an increase is needed; it compels contraction when the outside volume is excessive. Under such a machinery there can be neither scarcity nor redundancy. The regulating force is the self-interest of each bank checked by that of all others. If any bank is suspected of matters affecting its credit, that fact operates as a special inducement for sending its notes for redemption; and such discrimination puts its circulation under the severest regulation. It will thus be seen that the note clearing-house, or redemption agency, becomes the very salt and conservation of a banknote system, protecting the quality of the notes and assuring a healthy adjustment of their volume and of their geographical distribution.

The existing redemption agency, though situated at the National capital, is too distant from the points at which a large portion of the bank paper circulates to admit of the notes being systematically sent to the Treasury for liquidation. Such redemptions as are made are, for the most part, due to the dilapidation of the notes rather than to their not being wanted for use. The consequence is that there is no proper elasticity in the volume of this form of circulation. It does not contract when there is more paper outstanding than is required; it cannot expand when more money is needed. Hence our bank circulation has lacked one of the most important qualities of a well-regulated circulating medium. The present redemption agency has been a lamentable failure from the beginning; nor is there any possibility of so modifying it as to make it perfectly effective. Its redemptions proper, excluding those connected with failed banks, with withdrawals of circulation and with current notes now amount to less than \$40,000,000 a year for the whole United States, or one-fifth of the total circulation. What this amounts to, as compared with what is needed under a really healthy and competitive note system, may be inferred from the fact that in the year 1857 the Suffolk Bank of Boston, acting as redemption agent for the New England banks, effected \$400,000,000 of redemptions; in other words, New England, with its restricted financial dimensions of thirty seven years ago, had tenfold the amount of redemptions effected at Washington in these days for the whole United States. That is the difference in results between an efficient and an inefficient redemption agency. The services of the Suffolk Bank were rendered at a cost of 10 cents per \$1,000, while those of the National Banking Bureau cost 70 cents per \$1,000.

With a view to keeping the agency near the point of issue, and thereby facilitating conversions, it is necessary that, in place of the Washington agency, the law shall establish say six redemption districts, and confer upon the Comptroller of the Currency authority to designate for each district some one bank, centrally situated in such area, which shall act as redeeming agent for all the banks in such district. Perhaps some such geographical determination of the respective districts as the following might be most equal and most convenient; the amounts of capital set opposite each division will indicate the present relative status of banking resource in each group of States.

REDEMPTION DISTRICTS.	Capital of National Banks.	Capital of State Banks.	Total Capital.
No. 1. New England States.....	\$167,000,000	\$3,256,000	\$170,256,000
No. 2. New York, New Jersey, Delaware, Pennsylvania, Maryland, District of Columbia.. ..	197,700,000	45,767,000	243,467,000
No. 3. Southern States.....	71,500,000	49,790,000	121,290,000
No. 4. Ohio, Indiana, Illinois, Michigan, Wis- consin, West Virginia.....	124,500,000	92,587,000	217,087,000
No. 5. Iowa, Minnesota, Missouri, Kansas, Nebraska	76,500,000	59,366,000	176,860,000
No. 6. Pacific States and other Western States and Territories.....	41,000,000		

Each of these divisions would include an amount of bank capital sufficient to warrant its having an agency of its own. Each of the agencies should be required to redeem not only notes issued within its district, but also any presented that may have been issued in some other district; the agency recouping itself by forwarding such notes to the agency for the district in which they were issued. Such extra-limit redemptions, however, would probably be found comparatively unimportant in volume.

THE VOLUME OF THE CURRENCY.

It is to be taken for granted that, in making such changes in the currency system as have been cursorily sketched in the foregoing suggestions, Congress would find itself compelled to respect the public feeling against any reduction of the total volume of money. Let us see, then, where the changes we have proposed would place us in that respect. The cancellation of the old legal tenders and the Sherman notes would obliterate about \$500,000,000 of legal-tender paper; what would be the probable compensation for those withdrawals?

First, there would be put into public use the \$100,000,000, more or less, of gold coin now held as a dead reserve by the Treasury—a large portion of which would go into the bank reserves, to compensate for the abstraction of a corresponding amount of legal tenders. Next, as shown at pages 194 and 196, there would be a net addition to the National bank circulation of \$275,000,000. And, as shown at page 199, about \$215,000,000 would probably accrue from the authorization of issues by the State banks. The result may be thus summarized:

From gold reserve, say.....	\$80,000,000 00
From increase in National bank notes.....	275,000,000 00
From issues of State banks.....	215,000,000 00
Total.....	<u>\$570,000,000 00</u>

The provision would thus exceed the requirements of the case by \$70,000,000. Allowing for the possibility that a considerable amount of greenbacks would be found to have been lost or destroyed, the excess might prove to be still larger. This surplus is fortunate, for the reason that our calculation upon the banks putting out notes to 60 per cent. of their capital might be found, in practice, to be a too liberal allowance. It is, however, desirable that the change be unattended by any inflation of the currency; and to prevent that the Secretary of the Treasury might be authorized to order a temporary suspension of new issues of bank notes, in the event of their volume expanding at a rate exceeding the concurrent retirement of legal tenders.

THE SILVER FACTOR.

The treatment of the silver factor in currency reform may, perhaps, be most wisely regulated, for the present, upon tentative considerations of expediency. Two conditions, however, should be absolutely insisted upon: first, that no further additions be made to our silver currency in any form; and next, that the new issues of bank notes, whether National or State, shall be payable in gold alone, that being, under existing conditions, the only metal that can be considered permanently stable. When the Government demand notes are out of the way, any serious liability to a suspension of gold payments—by the Treasury at least—will have been removed. Our silver currency, though in every sense unsound and fundamentally dishonest, may yet be kept current at par so long as we have behind it \$650,000,000 of gold; and its ultimate fate and disposal may, with reasonable safety, be left for treatment when the various influences tending to its discredit and disuse have worked out their natural effects.

SUMMARY OF FOREGOING PROPOSALS.

I.—Authorize the redemption and cancellation of all outstanding United States notes and Treasury notes of July 14, 1890.

(a) Said redemptions shall not at any time exceed in amount the issues of bank notes provided for, under Section III.

(b) To provide the means for these redemptions, the Secretary of the Treasury shall be required (1) To use at his discretion the fund in the Treasury known as the "gold reserve;" (2) To sell, at his discretion, from time to time, the silver in the United States Treasury acquired by purchases under the Act of July 14, 1890; (3) To use for this purpose all income devotable to the debt Sinking Fund and all revenue not otherwise appropriated; (4) For the same exclusive purpose, a duty of 2 cents per pound on coffee and 4 cents per pound on tea shall be paid on imports of those articles, until nine-tenths of the aforesaid notes shall be declared redeemed by the Secretary of the Treasury, when such duties shall cease; and (5) The Secretary of the Treasury shall be authorized to borrow, for the aforementioned purpose, on bonds payable after six years from date of issue at the pleasure of the Government, and at a rate of interest not exceeding 3 per cent., such amount as may be found necessary in addition to the proceeds from the other sources hereinbefore enumerated.

(c) To prevent impairment of National bank reserves, pending the retirement of the legal tender notes, the National banks shall be permitted to hold one-half of said reserves in the form of the aforesaid bonds, in lieu of an equal amount of gold; that privilege to cease at six years from the date of authorizing act.

II.—From and after six months following date of act, the Treasury shall not reissue any notes authorized under the Legal Tender Acts and the Act of July 14, 1890.

III.—After the date of act, any incorporated bank within the United States, having a paid-up and unimpaired capital of not less than \$25,000, shall be permitted to issue circulating notes to an amount at no time exceeding 75 per cent. of said paid-up and unimpaired capital, upon the conditions following:

(1) That such notes shall constitute a first lien upon the entire assets of the bank and a claim upon the stockholders to the full amount of their ownership of stock.

(2) That each issuing bank shall pay a tax of $\frac{1}{2}$ of 1 per cent. per annum on its average circulation, to defray the expenses of the administration of this law and of printing the notes.

(3) That no banks shall issue said notes until the Secretary of the Treasury and the Comptroller of the Currency are satisfied that the bank applying for this franchise has entirely complied with the herein specified conditions.

(4) That the Comptroller of the Currency shall be required to call for quarterly statements from issuing banks of such items as he may deem necessary to show whether they have continuously complied with all the provisions of law affecting note issues.

(5) That, if any issuing bank should fail to comply with these conditions, the Comptroller of the Currency may, at his discretion, require such bank to call in its notes and cease issuing, until said conditions have been fully obeyed.

(6) That, immediately upon the failure of a bank, the Comptroller of the Currency shall, if the bank be organized under the National system, cause the note obligations to be paid first and with all promptness; and, if it be organized under a State law, shall appoint an administrator in the sole interest of the note-holders, to whom shall be payable, out of assets and shareholders' liability, an

amount sufficient to liquidate all outstanding notes, before the claims of any other class of creditors are administered upon under the State laws.

(7) That the notes of a failed bank shall bear 5 per cent. interest from the date of failure until the Comptroller of the Currency shall formally announce that the principal of the notes is payable.

(8) That the notes of all banks shall be printed by the United States Government, after such uniform design as the Comptroller of the Currency may approve, the printing of the issues of National banks to be in one color and of the State banks in a different color.

(9) That the denominations of the notes shall not be in lower amounts than \$5, unless the Comptroller is satisfied that the public convenience requires lower denominations, in which case notes of \$1 or \$2 may be issued to such amounts as the Comptroller may authorize.

(10) Now existing National banks shall have the choice of continuing to issue against deposit of U. S. bonds under the present National banking laws, or accepting, in lieu thereof, the conditions of issue herein prescribed.

IV.—In order to insure ample and expeditious current redemption of circulating notes, there shall be established six Redemption Districts by the Comptroller of the Currency, in the manner following :

(1) The limits of the districts shall be determined with due regard to an equal division of banking capital and of geographical area.

(2) The redeeming agents shall consist of banks situated centrally in their respective districts, and shall be appointed by the Comptroller of the Currency.

(3) The banks shall keep a deposit in gold with the redemption agencies of their respective districts, at no time less than 2 per cent. of their outstanding circulation, from which the agencies shall make redemption of their notes.

(4) The agencies shall receive from the banks within their respective districts the notes of banks situated in other districts and shall forward the same for payment to the agency for the district in which such notes were issued.

(5) Each agency shall forward a report to the Comptroller of the Currency, at the beginning of each month, showing what was the average ratio of redemption deposit to circulation of each bank in its district for the month preceding.

(6) In case of the failure of a bank, the agency shall suspend redemptions for such bank and shall hand over any balance to its credit to the receiver of such bank.

V.—From this date, no bank note shall be a legal tender for any payments, except for debts due to the issuer.

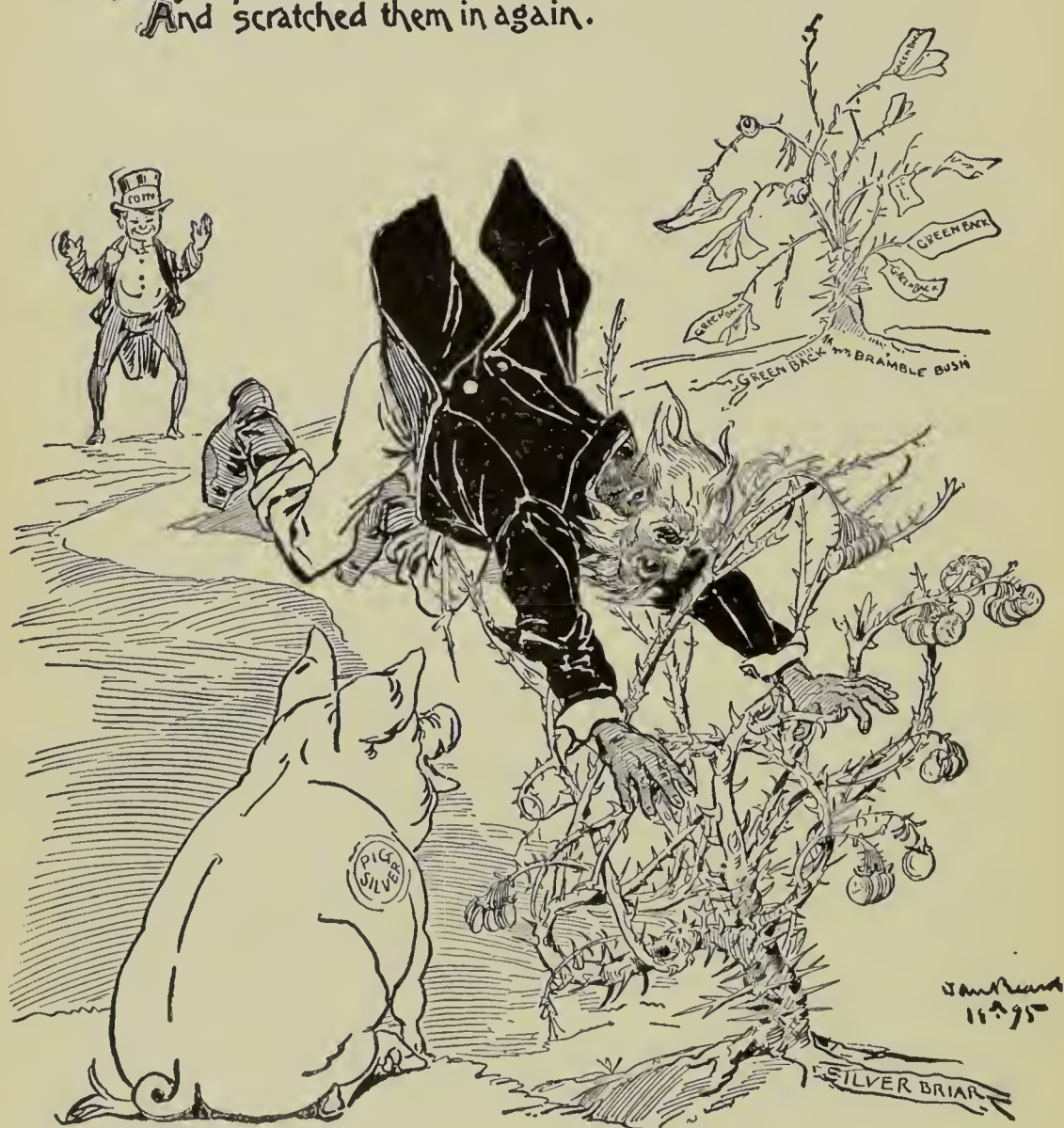
VI.—All bank notes shall, from date of act, be redeemable in gold coin of the United States.

VII.—From date of act and until the United States notes and the Treasury notes of 1890 have been entirely redeemed, the provisions of law requiring reserves against deposits may be suspended at the discretion of the Secretary of the Treasury.

THERE WAS A MAN IN OUR TOWN.

There was a man in our town,
 And he was wondrous wise,
 He jumped into a bramble bush,
 And scratched out both his eyes.

When he saw his eyes were out,
 With all his might and main,
 He jumped into a briar bush,
 And scratched them in again.



THE "TRY IT" ARGUMENT.—But it is urged that we should try it and see. A man who did not know how to swim would be foolish to jump into deep water and try to see how it would affect him. But we have tried it. We tried it from 1792 to 1834, and failed to raise the price of silver three per cent. to make it even with gold at the ratio of 15 to 1. We tried it from 1834 to 1860, and failed to raise the price of gold bullion between 3 and 5 per cent. to make it equal with silver at the ratio of 16 to 1. In 1873 the Latin Union, composed of France, Belgium, Italy, Switzerland and Greece, wedded to the free and unlimited coinage of silver, found, when Germany threw \$300,000,000 of silver bullion upon the market, that free and unlimited coinage of silver by their mints failed to keep up the value of silver with gold at the ratio at which they were coining silver, and they were compelled, much against their wishes, to suspend the unlimited coinage of silver year by year for four years, until finally they indefinitely suspended it in 1878. We tried it and failed. They tried it and failed, and were compelled to quit it.—Hon. Hoke Smith.

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THE WORLD'S BANK-NOTE SYSTEMS.*

L. CARROLL ROOT.

UNITED STATES	182
GREAT BRITAIN—	
ENGLAND.....	183
SCOTLAND.....	186
IRELAND.....	187
CANADA	188
FRANCE	190
GERMANY.....	191
AUSTRIA-HUNGARY.....	194
BELGIUM.....	194
SWITZERLAND.....	195
THE NETHERLANDS.....	195
NORWAY	195
SWEDEN	196
DENMARK	196
ITALY.....	197
GREECE.....	198
SPAIN.....	198
PORTUGAL.....	200
RUSSIA AND FINLAND.....	200
TURKEY.....	200
ROUMANIA.....	201
SERVIA.....	201
JAPAN.....	201
CHINA.....	201
AUSTRALASIA.....	202
MEXICO.....	202
SOUTH AMERICAN COUNTRIES.....	202
SITUATION PRINCIPAL BANKS OF ISSUE, DEC. 31, 1895.....	204

* Especial indebtedness is acknowledged to the recent report of Hon. James H. Eckels, Comptroller of the Currency, and to M. L. Muhleman's "Monetary Systems of the World," for much of the information contained in the following pages.

UNITED STATES.

The only institutions now issuing notes for circulation within the United States are the National Banks. Prior to 1866 notes were issued by banks operating under charters and legislation of the several States of the Union. But with the establishment of the National Bank system in 1863 and 1864, followed by the imposition of a Federal tax of 10 per cent. upon all other notes issued for circulation, taking effect July 1, 1866, this State Bank currency was effectually extinguished and the field of bank currency confined to the issues of the National Banks.

These are incorporated for a period of 20 years by articles of association under the general provisions of the "National Bank Act." A capital of \$100,000 is required, except in places of less than 6,000 inhabitants, where \$50,000 is permitted; while in cities of 50,000 or more inhabitants, \$200,000 capital is necessary. One-half of the capital must be paid up before business is commenced and the remainder within five months. Upon the deposit of United States bonds with the Treasurer, circulating notes printed in blank, and registered under the direction of the Comptroller of the Currency, will be issued to each such bank not exceeding in amount 90 per cent. of the par value of the bonds (90 per cent. of the market value where bonds are below par), and in no case exceeding 90 per cent. of the paid-up capital.* These bonds are to be held by the Treasurer as collateral security and in case of insolvency are to be sold to provide for the redemption of the notes. Should they not yield a sufficient amount to meet them in full the Federal Government, which assumes the responsibility for their payment, is protected by a first lien upon the remaining assets of the bank—including the liability of stockholders for any deficiency up to the par value of the stock held by them. Each bank also maintains with the Treasury in Washington a fund equal to 5 per cent. of its average outstanding circulation, to be used in the redemption of its notes. A bank desiring to retire its circulation may do so by depositing an equal amount of lawful money with the Treasurer, when it may withdraw its bonds. No notes of less denomination than \$5 are issued.

(1) *Limitation of Circulation.* In addition to the present limitation of notes to 90 per cent. of the capital stock there was until 1875 a limitation upon the aggregate circulation of all the banks of the system. This was originally \$300,000,000, apportioned among the banks of the several States, but was increased in 1870 to \$354,000,000. The "Resumption Act" of 1875, however, did away with the whole system and put the banks on the present free basis, more consistent with the theory of the original law.

(2) *Government Supervision.* The most approved systems of reports and examinations have been applied to the National banks. Each bank must five times a year make out a report of its condition upon some past day designated by the Comptroller, while frequent inspections are made by a trained corps of Government examiners.

In case of failure, the Comptroller of the Currency takes charge of the assets of the insolvent bank, through receivers appointed by him; and their management has proved not only thoroughly satisfactory in the main, but much more economical than that of receivers appointed under most of our State courts.

(3) *Legal Tender.* The notes, though never made legal tender between individuals, have been given certain legal-tender characteristics which undoubtedly add to the general currency of the notes—though there is little doubt but that they would better serve the purpose of bank currency if they did not have these characteristics. They are—

(a) They are legal tender in all payments to the United States, except duties on imports;

(b) That they are legal tender for all payments by the United States except interest on the public debt and in redemption of the national currency; and

(c) That they are legal tender in payments to any national bank in the system.

(4) *Redemption.* The Act of 1864 had made provision for the redemption of the notes of each bank at some agency, to be selected in New York. But in 1874 this was superseded by an elaborate system of redemption centered in the Treasury at Washington. Since the passage of that act, each bank has been obliged to maintain a fund on deposit with the Treasurer equal to 5 per cent. of its outstanding circulation. The Treasury then assumes all responsibility for this redemption—even if the amounts presented should exceed the fund.

This redemption system, however, has never performed its most important functions, and has been utilized chiefly as a means of removing from circulation mutilated and soiled currency or the notes of banks wishing to permanently retire circulation. For example, in the fiscal year 1895 there were redeemed \$40,094,540 of soiled and mutilated notes, \$12,314,331 of notes retired and only \$35,055,620 normal current redemption returned to the issuing banks. The result is a system of currency little responsive to the demands of commerce for an elastic currency.

*A certain minimum amount of bonds is required to be kept on deposit by each bank with the Treasurer, whether any notes are issued or not. For banks of \$150,000 or less capital, this minimum is one-fourth of their capital; and for banks of more than \$150,000 capital, it is \$50,000.

There are several factors which unite in responsibility for this :

(a) The provision that only \$3,000,000 can be retired in any one month. This was inserted in the law to allay the fears of "contraction" on the part of many of our people ; but it is now generally recognized as a hindrance to the free response of currency to business requirements, since banks are slow to issue notes which they know they cannot retire.

(b) The provision that after a bank has reduced its circulation, it shall not be permitted to take out further circulation for a period of six months. This was designed to relieve the Treasury of trouble ; but it, too, has had the effect of retarding expansion and contraction.

(c) The quasi legal-tender qualities given the notes. These have tended to elevate the notes from the position of credit currency which they should occupy to a position of absolute money which requires no redemption, and thus to assimilate them to coin.

(d) The fact that the Government has assumed the primary responsibility for their payment in case of failure—thus making them in effect as good as the greenbacks in which they would be redeemed.

(e) But more important than all these, the requirement of bond deposit—a hindrance alike through its expensiveness and the obstructions it places on issue.

The following is a statement of the number, capital, circulation, etc., of the National Banks in 1866, 1876, 1886 and annually since 1890 :

Year.*	Number.	Capital.	Circulation.			Individual Deposits.	Reserve.	
			Secured by U. S. Bonds.	Secured by Lawful Money Deposited.	Total.		Specie.	Legal Tenders.
1866	1,634	\$414,270,493	\$267,798,678	\$8,214,035	\$276,012,713	\$533,338,174	\$12,629,376	\$201,425,041
1876	2,091	500,393,796	305,417,013	27,581,323	332,998,336	641,432,886	25,218,470	118,791,876
1886	2,809	539,109,291	247,087,961	61,922,499	309,010,460	1,146,246,911	157,459,870	91,506,788
1891	3,652	672,903,597	127,221,391	40,706,183	167,927,574	1,535,058,568	190,769,537	119,244,811
1892	3,759	684,678,203	145,683,023	27,000,827	172,683,850	1,753,339,679	229,320,480	137,030,016
1893	3,807	685,786,718	151,900,919	20,812,773	178,713,692	1,556,761,230	186,761,173	102,493,677
1894	3,770	671,091,165	180,662,521	26,690,723	207,353,244	1,677,801,200	250,670,652	188,261,318
1895	3,715	658,224,179	186,062,098	25,628,937	211,691,035	1,736,021,066	214,427,194	168,515,172
1896	3,699	653,934,915	195,048,954	22,044,511	217,093,465	1,648,092,868	196,017,459	141,242,513

* NOTE—These figures are from the reports of the banks nearest to July 1, in each year—with the exception of those showing circulation, which are for July 1. For 1896 the figures are for February 28.

GREAT BRITAIN.

ENGLAND.

The Bank of England, chartered in 1694, had its origin in a financiering venture. The Government of William and Mary found itself in straits to carry on the war with France, and chartered the Bank of England, pledged to loan £1,200,000 to the Government. This institution was early given a monopoly of note issue, so far as concerned its exercise by corporations or associations of more than six persons. Under such conditions the only development of note issue in England up to 1826, except through the Bank of England, was the establishment of a large number of private bankers throughout the country districts.

In 1826, however, two important changes took place. The first of these was the establishment of branches by the Bank of England. Theretofore the only office of that bank had been the one in London. The other change was the authorization given to joint-stock companies situated more than 65 miles from London to issue notes—thus curtailing to an important degree the monopoly previously conferred upon the Bank of England. Though the joint-stock principle had been fully developed long before this, it was not until 1826 that it was applied to banking.

In 1844 came Peel's Bank Act—so important in the history of English banking that it is generally referred to merely as "The Bank Act." It was a triumph for the currency school—seeking to separate the function of note issue from the other banking functions, and to so limit the paper currency of the country as to make its rise and fall conform directly to similar movements of gold coin and bullion. This act is the basis of the present currency system of England.

As to the Bank of England, this act separated completely the Issue Department from the Banking Department and provided that the former might issue notes to the amount of £14,000,000* based upon Government securities. Any further issues by it were to be fully covered by coin—so that the rise and fall of the paper currency should take place in strict conformity to the gold deposited or withdrawn. There were turned over to the

* Since increased to £16,800,000 through the surrender of right of issue by private and joint stock banks.

Issue Department, Government securities (including the permanent debt to the State of £11,015,000) amounting to £14,000,000. This was held as collateral security against an equal amount of notes in circulation. But the notes outstanding at the time were some £6,000,000 in excess of this "uncovered issue." Against all this coin then in the vaults of the Bank was deposited in the Issue Department, as well as against some £8,000,000 of which the Bank found it more convenient to use in the form of notes than as coin. Further notes can be issued only upon the deposit of coin to the full value of the notes. Even the Banking Department itself when it wishes additional notes can get them only in the same way as could any one else—namely, by taking gold to the Issue Department and receiving an equal amount of notes for it. The notes of the Bank of England have thus practically lost the distinctive qualities of bank paper and have become little more than gold certificates.

As to the other banks of England, the Act of 1844 provided that no banker or joint-stock bank not then lawfully issuing notes, should be permitted in future to exercise that right. The maximum (average for any four weeks) circulation of existing banks was limited to the average outstanding circulation of the previous twelve weeks (about £8,000,000). No provision was, or is now, made for issuing notes above this limit upon the deposit of coin, as in the case of the Bank of England; nor, on the other hand, are the banks required to hold any government or other special assets as collateral security for the "uncovered issue" permitted.

By a further provision that if any of the private or joint-stock banks resigned or lost their privileges of issue the Bank of England might be authorized by Parliament to increase its issue against securities by two-thirds the amount withdrawn, the number of such institutions now issuing notes has been reduced to 70 private banks and 37 joint-stock companies,* and the "uncovered" circulation of the Bank of England has been increased in this way from £14,000,000 to £16,800,000. This, it will be noticed, is only following out what was the avowed design of the advocates of the Act—the adherents of the "Currency School"—in their efforts to centralize the issue of currency where it might be under the direct control of Government, and at the same time to separate it entirely from the other banking functions.

Such is the system of English bank currency as established by the Bank Act of 1844 and as modified by a few subsequent amendments of minor importance. From this sketch we can turn to consider a few of the salient points in connection with the development along definite lines which has taken place in England.

(1) *As to the Special Basis of Note Security.*—Prior to 1844 no steps had been taken looking toward the protection of the note-holder as distinguished from other creditors. In this respect the development in England lagged far behind that in some of the United States. The banks then issuing circulation were neither restrained as to the amount which they might issue or keep outstanding, nor regulated as to the class of assets which should be held as a basis of their issue, or the amount of coin that should be held in proportion to the notes in circulation.

The Act of 1844, however, it will be noticed, took two steps in the direction of affording note-holders further security. The first of these was the provision limiting the aggregate circulation of country bankers to £8,000,000, apportioned among them in such a way as to insure the public against any expansion of the circulation of any individual bank or banker, or of any particular section of the country. The second step was the main provision of the Act—that placing in the Issue Department of the Bank of England, to be held as security for its issues, £14,000,000 of Government Bonds, and requiring the deposit of coin in full for all notes issued above this amount.†

(2) *Liability of Stockholders.*—In the case of a corporation operating under a royal charter like the Bank of England, unless the charter makes some provision for liability of the stockholders, they are not liable at all. This is the case not only with the Bank of England, but with the three chartered Scotch Banks and the Bank of Ireland. There being no provision for liability, the stockholders cannot be prosecuted for any debts of the bank, nor can they be called upon to make up the deficiency to the creditors.‡

* In 1844 the maximum circulation of the country banks was :

207 private banks.....	£5,153,417
72 joint-stock banks.....	3,478,230

£8,631,647

And the maximum circulation authorized was :

74 private banks.....	£2,784,457
37 joint-stock banks.....	2,015,760

£4,800,217

† No occasion has ever arisen for testing the legal import of this provision, which is not very definitely expressed. The consensus of opinion, however, seems to be that the securities thus deposited are pledged toward the redemption of notes, and that in case of the insolvency of the institution, the other creditors of the bank holding claims against the banking department, could have no resort to the coin or bonds deposited in the Issue Department until the noteholders were paid in full.

‡ Bell's Commentaries on the Laws of Scotland, Book V., Chapter 1, Section 3. See also opinion of the Lord President of the Court of Session in the case of *Murdoch's Trustees vs. Liquidation of the City of Glasgow Bank*, quoted by Gilbert, Vol. II., p. 444.

But except in royal charters the principle of non-liability, or even of limited liability, was not applied in England until within the last fifty years. And the Bank of England being the only chartered bank, this left the liability absolute not only in the case of individual bankers and of partnerships of not more than six members—both of which classes of banking institutions were left free to issue circulating notes—but also in the case of the joint-stock banks to which the right of issue was granted in 1826. In every such bank each stockholder—even if he had subscribed for but a single share of stock—was liable for the debts of the bank, even to the extent of his last dollar.

In 1855 the principle of limited liability was conceded to all joint-stock companies except banks, and in 1858 it was extended to the joint-stock banks—with the very important exception that all banks issuing promissory notes are subject to *unlimited liability as far as regards their notes*, for which they are to be liable in addition to the sum for which they are accountable to the general creditors. And though there have been several Acts since that time facilitating the registry of joint stock banking companies with limited liability, until nearly all of the banks whose liability was originally unlimited are registered under them, the unlimited liability as respects note issue still remains.

(3) *Lien on Assets*—Nowhere in the history of English banking does anything appear corresponding to the “first lien on the assets,” which has in so many other cases been conferred upon the notes of a bank.

(4) *Branches*—The establishment of branches by the Bank of England in 1826 and their continuance since that date has been already mentioned. There are now eight branches. The private banks from their nature and the fact that their credit is so frequently local, have never found it profitable to establish many branches. But some of the large joint-stock companies have extended the system much further than has the Bank of England, though the limitations on their circulation since 1844 naturally leave the effect of the branches upon the currency much less than it otherwise would be.

(5) *Redemption*—The main provisions of the law as to redemption are (a) that the notes of every private banker or joint-stock bank must always be made expressly payable *as the place where they are issued* (though they may also be made payable elsewhere); and (b) that an agency for their redemption must at all times be maintained in London; and any such notes redeemed at a London agent's cannot be put in circulation again within 65 miles of London.

The Bank of England is also similarly restricted in its issue of notes through its branches. That is, it can issue at each branch only the notes which are made payable at that branch, and must also at all times redeem in London the notes issued by any of its branches. But as between the branches themselves there is no such liability. For example, the branch at Liverpool cannot issue notes which are made payable merely at the Manchester branch or at the head office in London, nor on the other hand is it under obligation to redeem such notes if presented to it; but the London office must redeem at all times not only the notes it has issued but also those issued by and made payable at the various branches.

(6) *Elasticity*—This question of redemption, all through the history of bank currency, is intimately connected with elasticity. So far as the paper circulation of England is concerned, *elasticity* is a feature which the Act of 1844 and the principles upon which it is founded have attempted to guard against rather than encourage.

As to the Bank of England itself, there is absolutely no opportunity for elasticity, except at the expense of its banking reserve. If the demand of commerce for more currency becomes pressing enough, gold will be imported and the circulation of the country thus augmented. This imported gold may be taken to the Bank and exchanged for notes, and the paper circulation in this way expanded. But in any case, it is only by bringing gold from outside that the circulation can be increased through the Bank of England.

In the case of the private and joint-stock banks, there is a very slight margin for elasticity. Since they are permitted at present to issue some £4,800,000, and their normal issue is only about £2,000,000, there is an opportunity to expand, to meet any unusual demand, to the extent of about £2,800,000. Yet in a circulation of £150,000,000, like that of England, this is quite petty. Nevertheless, this is the only factor of elasticity which the English banking system, as based on the Act of 1844, possesses.

But while this inelasticity is strictly in accordance with the principles upon which the Act was based, there have been three occasions when it seemed so certain that adherence to it would bring ruin to the financial and commercial interests of the country that it was “suspended.” These were in the years 1847, 1857 and 1866. In each case a financial crisis found the banking department of the Bank of England with a reserve insufficient to meet the extraordinary demands to which its position subjected it; it had no means of increasing its issue of notes; it could not refuse entirely to discount commercial paper without certain ruin to all financial interests, and the crisis had reached a point where securities could not be sold for cash.

The “suspension” of the Bank Act which then took place, and which in each case afforded instant relief, was an illegal action taken by the Bank on the assurance of the Government that it would not be prosecuted for it. It consisted in a transfer to the

Issue Department of a certain amount of securities and the issue of notes against them just as the notes are normally issued against the £16,000,000 of Government debt.

In other words, on three occasions, when the inelasticity of the system has threatened disaster, the system has been abandoned in a measure and an assurance of elasticity given.

(7) *Legal Tender*—Since 1833 the notes of the Bank of England and its branches have been legal tender “so long as the Bank of England shall continue to pay on demand their said notes in legal coin.” This qualifying clause takes away a part of the curse of the Act, since so long as they are readily convertible into gold on demand, it is unlikely that any one will be compelled by the legal-tender provision to accept a note which he would otherwise prefer not to take; and if at any time the payment of the notes should be suspended, they would no longer be legal tender, and thus no creditor would be compelled to receive them. In any case, they are not legal tender in payments by the bank or its branches.

(8) *Denominations*—Since 1826 no bank in England has been privileged to issue notes of less denomination than £5 (\$25), and as there is no other paper currency in circulation, coin plays a much more important part in the circulation of England than here.

BANK OF ENGLAND—WEEKLY ACCOUNT.

The following is the account of the Bank of England for the week ending Jan. 1, 1896 :

ISSUE DEPARTMENT.			
Notes issued.....	£59,768,325	Government debt	£11,015,100
		Other securities.....	5,784,900
		Gold coin and bullion.....	42,968,325
	£59,768,325		£59,768,325
BANKING DEPARTMENT.			
Proprietors' capital.	£14,553,000	Government securities.....	£14,936,164
Res.	3,111,056	Other securities.....	33,985,875
Public deposits....	9,934,220	Notes	33,299,900
Other deposits.....	56,526,619	Gold and silver coin.. . . .	1,991,731
Seven-day and other bills	88,775		
	£84,213,670		£84,213,670

Consolidated Account.

To assist toward a clearer view of the above return, we produce the figures in the following consolidated form, which brings out a balance-sheet more in consonance with those issued by other banking institutions :

LIABILITIES.		ASSETS.	
Proprietors' capital.....	£14,553,000	Government debt.....	£11,015,100
Res.	3,111,056	Other securities in Issue Dept.....	5,784,900
Notes in circulation.....	26,468,425	Gov't securities in Banking Dept....	14,936,164
Public deposits.....	9,934,220	Other “ “ “ “	33,985,875
Other deposits.....	56,526,619	Coin and bullion.....	44,960,056
Seven-day and other bills.....	88,775		
	£110,682,095		£110,682,095

SCOTLAND.

In several respects, the history of banking in Scotland has differed from that of England. For example, it has had, and still has, more chartered banks, though none which have assumed so many of the characteristics of a State bank as has the Bank of England. The Bank of Scotland was chartered in 1695, one year after the Bank of England. In 1727 this was followed by the Royal Bank, and in 1746 by a third chartered bank—the British Linen Company—while contemporaneously the development of private banks and a little later that of joint-stock banking took place. But up to 1845, with the exception of a prohibition against notes of less denomination than £1, and the requirement that they should be payable on demand, the banks seem to have been unrestricted in their exercise of the right of issue.

In 1845, an act was passed regulating the notes of the Scotch and Irish banks upon principles similar to those underlying the Bank Act of 1844 as applied to the banks of England. All banks not then issuing circulation were prohibited from so doing. The circulation of each bank for the year ending May 1, 1845, was ascertained, and that amount fixed as the maximum uncovered issue. In England, it will be remembered, the amount of the previous circulation of the joint stock and private banks was fixed as the maximum issue. This could never be exceeded for an average of any four weeks without subjecting the bank to a very heavy penalty. In Scotland, however, the average circulation of the previous year was taken as the maximum *uncovered* circulation. Above this, notes might be issued to the amount of coin held—thus placing the Scotch banks on a much more favorable basis as regards issue than the English joint stock banks and private bankers enjoyed, and in a position more nearly analogous to that of the Bank of England.

The distinctive characteristics of the Scotch system, so far as bank currency is concerned, are that the currency is based on commercial paper; that its foundation is the general assets of the bank, rather than any special securities, and that the proportion of credit currency is so restricted as to insure against expansion with no solid backing of commercial paper and coin. Each of the banks is permitted to maintain as many branches as it may choose; and the most of them do have a large number. These branches, however, differ in an important respect from those of the Bank of England or of the joint stock banks in England issuing bank notes. The notes put in circulation at the various branches are not required to be made payable there, but only at the head office. This makes it unnecessary for a bank to keep on hand at each of its branches any coin for the redemption of its notes. For its ordinary payments the bills of the bank serve every purpose.

There appears to be no provision for the preference of noteholders over other creditors in the case of failure, except the right of action given them against the stockholders of all but the chartered banks. This is unlimited, and is in addition to the liability they may have assumed for the general debts of the bank under the "Limited Liability Acts." An attempt was made about 1880 to impose an unlimited liability on the stockholders of the banks acting under Royal charters, but it was not successful.

Since 1845, there has been no important change in the legislation or practice in regard to the issue of bank currency. There are now ten banks of issue* which fairly cover every corner of Scotland with their branches. Their authorized uncovered issues amount to £2,676,350. For the month of December, 1895, the actual uncovered issue was £1,397,137, and the notes issued against coin and bullion held £5,928,946.

STATISTICS OF A DECADE OF SCOTCH BANKING.

Year.	No. of Banks.	Capital Paid-Up.	Rest or Reserve Fund.	Deposits and Credit Balances.	Notes in Circulation.	Bills Discounted, Advances, Loans, etc.
1885.....	10	£9,052,000	£4,830,636	£83,166,087	£5,765,764	£63,665,464
1886.....	10	9,052,000	4,871,121	80,844,929	5,869,932	62,435,743
1887.....	10	9,052,000	4,631,970	81,806,911	5,659,626	61,593,461
1888.....	10	9,052,000	4,573,002	83,028,914	5,667,412	59,272,354
1889.....	10	9,052,000	4,652,808	86,371,393	5,995,774	59,211,265
1890.....	10	9,052,000	4,799,691	90,480,606	6,408,501	60,773,234
1891.....	10	9,052,000	4,931,708	92,602,452	6,507,895	62,013,104
1892.....	10	9,052,000	5,065,489	92,824,951	6,606,454	62,568,246
1893.....	10	9,302,000	5,681,865	92,230,320	6,447,865	60,985,400
1894.....	10	9,302,000	5,665,879	92,637,470	6,533,637	62,013,697
1895.....	10	9,302,000	5,768,138	94,617,750	7,065,142	63,022,695

* SCOTTISH BANK NOTE CIRCULATION RETURNS.

Average Amount of Bank Notes in Circulation, and of Coin Held During the Four Weeks ended Saturday the 28th day of December, 1895:

Name and Title as set forth in License.	Uncovered Circulation Authorized by Certificate.	Average Circulation during Four Weeks ended as above.			Average Amount of Gold and Silver Coin held during Four Weeks ended as above.
		£5 and upwards.	Under £5.	Total.	
Bank of Scotland.....	£343,418	£349,621	£744,461	£1,094,082	£964,933
Royal Bank of Scotland.	216,451	305,684	634,410	937,094	857,307
British Linen Company.....	438,024	257,641	619,973	877,614	595,506
Commercial Bank of Scot., Ld	374,880	£70,760	678,292	949,052	710,031
National Bank of Scot., Ld.....	297,024	254,487	592,318	846,805	709,929
Union Bank of Scot., Ld.....	454,346	301,366	666,755	968,121	759,022
Town and County Bank, Ld.....	70,133	148,197	175,893	324,090	287,486
North of Scotland Bank, Ld....	154,319	214,344	249,991	464,335	345,659
Clydesdale Bank, Limited.....	274,321	234,307	488,688	722,995	593,831
Caledonian Banking Co., Ld...	53,434	51,970	89,925	141,895	105,242
	£2,676,350	£2,888,317	£4,937,706	£7,326,083	£5,928,946

IRELAND.

Prior to 1782, there existed in Ireland no regularly organized banks. In 1782, the Bank of Ireland was established by Act of Parliament. Like the charter of the Bank of England since 1708 (but unlike the charter of the Bank of Scotland after the first twenty years of its existence) it granted an exclusive privilege of issue, so far as concerned all partnerships of more than six persons. And, just as in England, this led to the establishment of many private banks upon an insecure foundation.

In 1824—two years before the Bank of England took the same step—the Bank of Ireland surrendered this monopoly, except in Dublin and within 50 Irish miles (about

65 English miles). The result, as in England, was the development of a strong system of joint stock banks.

In 1845 the currency system of Ireland was put on about the same basis as that of Scotland—limiting the right of issue to the banks then exercising it. The banks are permitted an “uncovered” circulation amounting to the average of the year ending May 1, 1845, and above this they may issue to the amount of coin held.

The most important difference between the Scotch and the Irish systems is in connection with branches and their relation to the currency. In Ireland, the practice in this regard follows that of the English banks. The notes put in circulation at any branch must be made payable there. This of course necessitates the holding of some coin at the several branches, each of which must be prepared in case of a run to meet its own notes.

There are now, and have been since 1845, six banks of issue.* Their authorized uncovered circulation is £6,354,494. The issues, according to the latest returns at hand (December, 1895), which are typical of normal conditions, amount to some £3,400,000 issued against bullion, and about £3,000,000 uncovered. In other words, there still remains a margin of over £3,300,000 which the Irish banks can issue without securing further coin. It is within this margin that the elasticity of the system is found—much as in Scotland.

* The following table gives the details as to their circulation on December 31, 1895 :

	Authorized Uncovered Circulation.	Uncovered.	Covered by Specie Reserve.	Total.
1. Bank of Ireland	£3,738,428	£1,852,881	£660,319	£2,513,200
2. Provincial Bank of Ireland	927,667	393,287	357,652	750,939
3. Belfast Bank	281,611	148,962	421,205	570,167
4. Northern Bank	243,440	100,196	452,151	552,347
5. Ulster Bank	311,079	151,224	659,314	820,538
6. The National Bank	852,269	394,848	857,219	1,252,067
	£6,354,494	£3,051,398	£3,407,860	£6,459,258

SUMMARY OF CIRCULATION.

The following table shows the amount of bank notes outstanding in Great Britain at the close of 1895 :

Classes of Banks.	Issued against Coin and Bullion.	Uncovered.	Total.
Bank of England	£32,092,570	£16,800,000	£48,892,570*
English joint stock banks . . . . .	.....	1,040,667	1,040,667
English private banks . . . . .	.....	684,951	684,951
Scotch banks	5,928,946	1,397,137	7,326,083
Irish banks	3,407,860	3,051,398	6,459,258
Total	£41,429,376	£22,974,153	£64,403,529

* Of this total issue £26,274,190 was in circulation and £22,618,389 in the banking department of the Bank of England.

CANADA.

The following are the more important features of the present banking system of Canada. Six banks, chartered before the passage of the Act of 1890, have each a less capital than the \$500,000 now required for a new bank. *

Organization and Capital Stock.—The organization of a bank of issue requires a special charter from Parliament. The capital stock subscribed shall not be less than \$500,000, of which \$250,000 must be actually paid in in cash and temporarily lodged with the Minister of Finance until a certificate is obtained from the Treasury Board. Dividends must not impair the paid-up capital, nor can a dividend of more than 8 per cent. per annum be declared until the surplus reserve fund shall equal 30 per cent. of the paid-up capital.

Branches—No restriction is placed upon the establishment of branches, and the number operated by the more important banks is very large. For example, the Canadian Bank of Commerce has over 50 branch offices, the Bank of Montreal and Merchants' Bank of Canada over 30 each, while other banks are not far behind. Sixteen banks maintain nearly 340 branches, while of the remaining 22 banks only 8 have no branches whatever.

Shareholder's Liability in Case of Insolvency is for an amount equal to the stock subscribed, in addition to any portion not fully paid up.

* For a fuller description of the system, past and present, the reader is referred to “Canadian Bank-note Currency,” SOUND CURRENCY, Vol. II., No 2.

Note Issues.—With but two exceptions, notes may be issued up to the paid-up capital.* Penalties for excessive issues are provided. The issue of bank notes under \$5 is prohibited.

Reserves.—The ratio that reserves shall bear to circulation or other liabilities is not prescribed in any way. It is, however, provided that 40 per cent. of such reserves shall be held must be in the form of Dominion notes.

Security.—Notes are a *first charge against all the assets* of the issuing bank, including the double liability of stockholders. No deposit of bonds as special security is required, except in the case of the two banks mentioned in the footnote, for any issues in excess of 75 per cent. of their capital stock.

“Bank Circulation Redemption Fund.”—Each bank is obliged to keep on deposit with the Minister of Finance a sum of money equal to five per cent. of its average circulation for the previous fiscal year, which deposit bears interest at the rate of three per cent. In case of the suspension of any bank, its notes shall draw interest at the rate of six per cent. from the date of suspension until such date as is named by the Directors for their redemption. If the bank fails to make provision for the payment of its notes with accrued interest within two months from date of suspension, the Minister of Finance shall appoint a day upon which he will redeem such notes with interest from the “Redemption Fund,” and upon such day they shall cease to bear interest.

The amount thus paid from this fund in the redemption of the notes of a suspended bank in excess of the contribution of that bank to the fund, with whatever interest may have accrued, shall be ultimately recovered from the assets of the bank in question if its assets are sufficient. But, pending such reimbursement the other banks shall be called upon to make good the amounts by which their contributions shall have been reduced below the 5 per cent. limit; but such calls upon them shall not exceed one per cent. in any one year.

Redemption Agencies.—Each bank “shall make such regulations as are necessary to insure the circulation at par in any and every part of Canada” of all its notes; “and toward this purpose the bank shall establish agencies for the redemption and payment of its notes at the cities of Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg and Victoria, and at such other places as are from time to time designated by the Treasury Board.” Each bank shall also receive its own notes at par at each of its branches, but is not obliged to redeem them in coin or Dominion notes except at agencies as noted above, and at such of its offices as shall be especially designated as places of payment, including always the head offices.

Monthly returns of the condition of each bank are required to be made to the Minister of Finance.

There are now 38 banks in Canada, with an aggregate paid-up capital of something more than \$60,000,000. These 38 banks, by the means of an extension system of branches, offer banking facilities through more than 450 offices.

The largest institution is the Bank of Montreal, with a paid-up capital of \$12,000,000. The Canadian Bank of Commerce and the Merchants’ Bank of Canada come next, each with \$6,000,000 capital. Of the remaining 35 banks, 17 have at least \$1,000,000 capital.

A striking characteristic of the currency of the Canadian banks is its elasticity—the usual circulation during the continuance of the autumn demand for additional currency “to move the crops” being about 20 per cent. in excess of the normal circulation during the summer months.

Since 1880, when the notes were made a first charge upon the assets of the issuing banks, there have been eight failures—but not one in which the notes were not promptly paid in full. In the case of the Commercial Bank of Manitoba and the Banque du Peuple—the only ones which have failed since the passage of the Act of 1890, providing for the “Guarantee Fund”—not the least temporary depreciation of the notes ensued.

The following table shows the number, capital, circulation, deposits, etc., of the Canadian banks in recent years.

Statement showing Capital, Circulation, Deposits and Reserves of the Chartered Banks of Canada on the 31st of December annually, 1885–1895.

Year.	No.	Paid-Up Capital.	Notes in Circulation.	Deposits by Public.		Reserve.	
				Payable on Demand.	Payable after Notice, etc.	Specie.	Dominion Notes.
1885	41	\$61,763,279	\$32,363,992	\$52,119,199	\$49,748,931	\$6,710,058	\$12,446,829
1886	41	61,230,370	34,578,347	50,750,882	54,020,047	5,891,576	9,405,594
1887	38	60,352,092	34,354,595	48,981,273	56,618,392	6,037,563	10,030,196

* The exceptions are the Bank of British North America and La Banque du Peuple, neither of which is permitted to issue circulating notes to an amount greater than 75 per cent. of its paid-up capital without depositing with the Minister of Finance either cash or bonds of the Dominion of Canada as a security for all issues above the 75 per cent. limit.

Year.	No.	Paid-Up Capital.	Notes in Circulation.	Deposits by Public.		Reserve.	
				Payable on Demand.	Payable after Notice, etc.	Specie.	Dominion Notes.
1888.....	38	\$60,533,459	\$34,785,486	\$55,725,682	\$66,152,756	\$7,372,132	\$10,671,722
1889.....	38	60,289,910	33,577,700	55,224,648	71,019,107	5,967,665	9,117,810
1890.....	38	60,057,235	35,006,274	53,668,396	80,265,132	6,650,948	9,678,322
1891.....	38	61,299,305	35,634,129	62,649,378	90,158,184	5,769,313	10,113,040
1892.....	39	61,938,515	36,194,023	68,694,266	101,526,186	6,720,500	12,381,108
1893.....	39	62,099,243	34,418,933	62,594,075	107,885,149	7,691,331	13,287,292
1894.....	38	62,510,552	32,875,620	68,917,542	113,163,127	8,018,151	15,209,730
1895.....	38	62,196,391	32,565,179	67,452,397	119,667,176	8,239,378	15,963,001

FRANCE.

Since 1848 the only bank of issue in France has been the Bank of France with its branches. Its capital belongs entirely to its shareholders. The Governor and the two Sub-Governors of the bank, however, are appointed by decree of the President of the Republic, and removable at will. It was founded on the 13th of February, 1800, with a capital of 30,000,000 francs, which was increased to 45,000,000 in 1803, to 90,000,000 in 1806, to 91,250,000 in 1848 and to 182,500,000 francs in 1875—represented by 182,500 shares of the nominal value of 1,000 francs each. The actual market value of the stock is nearly four times this amount. Its charter, granted originally for fifteen years, has been renewed several times; the last time on June 9, 1857, for a period of forty years. It will not expire until December 31, 1897. There is no doubt of its renewal, but on what terms, especially for how long a period, is a question which is being warmly debated. The State has no share in its profits. The direct taxes it is required to pay are four per cent. on its dividends, stamp duties on its shares and notes in circulation, and various other stamp duties.

There is no charter limitation on the amount of notes the bank may issue, but its note circulation has been successively limited by law to 350,000,000 francs in 1848, 452,000,000, 525,000,000, 1,800,000,000, 2,400,000,000, 2,800,000,000, 3,500,000,000 and finally by the law of January 25, 1893, to 4,000,000,000 francs. The issue of notes within the limit fixed by law and the proportion to be observed between the amount of circulation and the metallic reserve are left to the discretion of the management of the bank.

The bank is obliged to conduct branch offices—at least one in each Department. It has now ninety-four branches and thirty-eight auxiliary offices.

The following table, showing the average coin reserve held at each of the branches of the Bank of France during the year 1895, will serve to indicate in a measure the relative importance of the several offices:

Average Coin Reserve held at the Branches of the Bank of France in 1895.

<i>Francs.</i>		<i>Francs.</i>		<i>Francs.</i>	
Agen.....	2,897,000	Chartres.....	81,369,000	Nice...	29,194,000
Amiens.....	8,478,000	Châteauroux.....	13,519,000	Nîmes.....	5,543,000
Angers.....	63,455,000	Chaumont.....	9,992,000	Niort.....	30,192,000
Angoulême.....	3,874,000	Clermont-Ferrand ..	14,500,000	Orléans.....	17,304,000
Anneey.....	13,544,000	Digne.....	1,955,000	Périgieux.....	10,006,000
Annonay.....	1,154,000	Dijon.....	8,932,000	Perpignan.....	1,845,000
Arras.....	13,754,000	Donai.....	34,493,000	Poitiers.....	31,250,000
Aubusson.....	5,635,000	Dunkerque.....	7,390,000	Puy (Le)....	8,804,000
Auch.....	9,304,000	Épinal.....	2,935,000	Reims.....	5,612,000
Aurillac.....	17,123,000	Évreux.....	11,971,000	Rennes.....	12,119,000
Auxerre.....	44,850,000	Flers.....	30,429,000	Rochelle (La)....	19,188,000
Avignon.....	16,055,000	Foix.....	994,000	Roche-sur-Yon (La) ..	16,974,000
Bar-le-Duc.....	1,969,000	Gap.....	5,300,000	Rodez.....	23,581,000
Bastia.....	2,136,000	Grenoble.....	1,950,000	Ronbaix-Tourcoing..	9,430,000
Bayonne.....	5,166,000	Havre (Le).....	97,211,000	Rouen.....	52,816,000
Beauvais.....	13,590,000	Laval.....	13,190,000	Saint-Brieuc.....	19,892,000
Belfort.....	18,207,000	Lille.....	33,543,000	Saint-Etienne.....	6,907,000
Besançon.....	4,790,000	Limoges.....	66,515,000	Saint-Lô.....	2,304,000
Blois.....	75,259,000	Lons-le-Saunier.....	6,159,000	Saini Quentin.....	26,700,000
Bordeaux.....	32,613,000	Lorient.....	22,627,000	Sedan.....	4,517,000
Boulogne-sur-Mer....	5,667,000	Lyon.....	29,619,000	Tarbes.....	26,168,000
Bourg.....	9,653,000	Mans (Le).....	69,793,000	Toulon.....	10,854,000
Bourges.....	44,895,000	Marseille.....	110,788,000	Toulouse.....	33,746,000
Brest.....	6,203,000	Meux.....	5,737,000	Tours.....	17,450,000
Caen.....	15,321,000	Mende.....	6,336,000	Troyes.....	8,923,000
Cahors.....	4,753,000	Montanban.....	6,941,000	Tulle.....	24,668,000
Cambrai.....	41,365,000	Mont-de-Marsau.....	5,635,000	Valence.....	8,574,000
Carcassonne.....	2,122,000	Montpellier.....	3,681,000	Valenciennes.....	5,690,000
Casires.....	6,536,000	Moulins.....	15,425,000	Versailles.....	8,423,000
Cette.....	2,185,000	Nancy.....	6,958,000	Vesoul.....	4,746,000
Chalon-sur-Saône....	4,650,000	Nantes.....	13,160,000		
Chambéry.....	7,500,000	Nevers.....	12,156,000		
				Total.....	1,739,666,000

The denominations of notes now issued are 1,000, 500, 100 and 50 francs, though during the last period of suspension of specie payments (1870-1878) notes of 25, 20, and 5 francs were issued. Practically everything less than 50 francs has now been withdrawn. At two different periods—1840-1850 and 1870-1878—the notes of the bank have been made legal tender at the same time that the bank was relieved by law from the necessity of redeeming them on demand in coin.

The bank notes are payable in coin on demand, and as France has large amounts of full legal-tender silver in circulation, and its reserve is nearly half in silver, the bank is enabled to pay in either metal. The ordinary practice is to pay in the metal desired by the person presenting its notes, though where gold alone is wanted for export or other purposes the bank is enabled to charge a small premium, which, however, cannot be increased beyond the cost of gathering up gold coins, of which there are large numbers in circulation.

As will be seen from the following statement, the metallic reserve of the Bank of France is very large, while the deposits occupy a position decidedly inferior to that of that circulation.

Monthly Statement showing Specie Reserves, Government and Individual Deposits, and Outstanding Circulation of the Bank of France.

	Reserve.			Government Deposits.	Individual Deposits.	Outstanding Circulation.
	Gold.	Silver.	Total.			
1894.	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>
January	1,698,400,000	1,259,300,000	2,957,700,000	121,100,000	391,000,000	3,615,200,000
February	1,706,700,000	1,261,300,000	2,968,000,000	211,600,000	385,900,000	3,543,900,000
March	1,714,500,000	1,266,400,000	2,980,900,000	115,400,000	413,700,000	3,510,000,000
April	1,726,900,000	1,272,600,000	2,999,500,000	94,800,000	390,700,000	3,518,800,000
May	1,760,200,000	1,275,000,000	3,035,200,000	143,900,000	627,000,000	3,588,800,000
June	1,779,600,000	1,278,900,000	3,058,500,000	115,400,000	452,300,000	3,440,100,000
July	1,812,200,000	1,276,600,000	3,088,800,000	114,100,000	449,500,000	3,473,400,000
August	1,864,100,000	1,270,500,000	3,134,600,000	179,700,000	463,100,000	3,453,000,000
September	1,906,200,000	1,265,200,000	3,171,400,000	141,800,000	464,300,000	3,365,600,000
October	1,900,900,000	1,254,000,000	3,154,900,000	148,400,000	389,200,000	3,457,900,000
November	1,928,200,000	1,238,400,000	3,166,600,000	175,000,000	394,300,000	3,494,000,000
December	2,005,500,000	1,240,100,000	3,245,600,000	174,400,000	426,100,000	3,479,500,000
1895.						
January	2,069,300,000	1,235,500,000	3,304,800,000	145,000,000	488,000,000	3,681,900,000
February	2,141,400,000	1,235,900,000	3,377,300,000	107,700,000	474,900,000	3,634,100,000
March	2,148,400,000	1,238,700,000	3,387,100,000	123,600,000	446,500,000	3,606,400,000
April	2,087,500,000	1,239,800,000	3,327,300,000	141,300,000	384,300,000	3,626,500,000
May	2,057,600,000	1,235,300,000	3,292,900,000	156,900,000	466,000,000	3,628,500,000
June	2,048,700,000	1,251,100,000	3,299,800,000	185,400,000	423,400,000	3,519,100,000
July	2,042,700,000	1,258,200,000	3,300,900,000	156,900,200	459,500,000	3,523,600,000
August	2,050,300,000	1,259,500,000	3,309,800,000	328,100,000	761,200,000	3,404,500,000
September	2,048,200,000	1,259,000,000	3,307,200,000	271,100,000	567,200,000	3,375,800,000
October	2,005,500,000	1,249,200,000	3,254,700,000	257,700,000	482,100,000	3,488,600,000
November	1,957,600,000	1,230,500,000	3,188,100,000	228,700,000	582,400,000	3,533,600,000
December	1,959,900,000	1,233,600,000	3,193,500,000	206,900,000	610,500,000	3,505,800,000

The composition and distribution of the reserve, as it stood on the 31st of December, 1895, are as follows:

	Gold.	Silver.	Total.
	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>
Paris	1,240,000,000	251,200,000	1,491,200,000
Branches	710,300,000	983,400,000	1,693,700,000
	1,950,300,000	1,234,600,000	3,184,900,000

GERMAN EMPIRE.

The reorganization of the banking system in Germany in 1875 was practically the last step in the scheme of currency reform undertaken upon the establishment of the present German Empire. The coinage had been revised in 1871 and 1873; and in 1874 the paper currencies issued by the several States had been taken up and replaced by Imperial Treasury notes.

There were, at this time, in the territory comprised in the new Empire, 33 banks of issue, in the regulation of which there was little uniformity. Some were large institutions; others comparatively petty. The amount and nature of the currency of each, and the basis upon which it was issued, were determined by the legislation of the particular State or city by which it had been incorporated.

To unify this heterogeneous mass was the next problem for the financiers of the Empire. One thing they settled upon at the outset. There must be a national bank—

one that should be sufficiently under the control of the Imperial Government to be a national defense in time of emergency, and a constant assistant in the fiscal operations of the Treasury; and whatever other banks should be permitted should be grouped in a system about this institution, and should also be subject to somewhat of Government supervision and control.

The Bank of Prussia at this time occupied a position which made its selection for the national bank most natural. It had originally been established as a government bank with a capital of 2,000,000 thalers; and though this had been increased by private subscriptions to 20,000,000 thalers, the State still retained a large control over its management, and a large share in its profits.

So the first step in carrying out the new programme was to increase the capital of the Bank of Prussia to 120,000,000 marks (\$30,000,000), all open to private subscriptions. Prussia was paid for its share of the capital, and a good round sum in addition for the "good will," and the bank was made the Imperial Bank (*Reichsbank*) of Germany. The Government reserved pretty nearly full power of control, appointing the Board of Directors, while the stockholders are represented only by a committee with advisory powers. So that in all but ownership the bank was made a State institution.

The thirty-two independent banks were also made subject to certain general provisions, and their currency put on the same basis as that of the *Reichsbank*. And to those already issuing notes and to the *Reichsbank* the exclusive privilege of issue was given.

The Basis of Currency.—The aggregate uncovered issue of all the banks is fixed at 385,000,000 marks—nearly \$100,000,000. This total was first apportioned 250,000,000 marks to the *Reichsbank*, and 135,000,000 to the thirty-two individual banks in proportion to their previous circulation. Though this apportionment has been somewhat changed by the abandonment of the right of issue by some of the banks, until now the *Reichsbank* is permitted to issue 296,000,000, and the individual banks about 89,000,000 marks, the total authorized uncovered issue remains the same.

For all notes issued above this amount, cash must be held; though as cash the banks are allowed to count not only coin, but Treasury notes and the notes of other banks. Each bank makes regular reports of these items four times a month, and if it should appear that its notes have exceeded its authorized uncovered circulation plus its cash reserve, the bank is subject to a tax at the rate of five per cent. per annum upon the excess. To this is added a provision that the cash, exclusive of the notes of other banks, shall always be equal to at least one-third the circulation issued, and that the other two-thirds shall be covered by short-time commercial paper.

No bank notes of less denomination than 100 marks (\$25) are issued—the actual circulation for retail trade being either coin or the Treasury notes, of which there are 120,000,000 marks (\$30,000,000) in small denominations outstanding.

Such are the main features of the bank currency system which has developed in Germany. In it the influence of the English Bank Act of 1844, and the ideas and principles which underlie it, are plainly to be seen. The national bank as a centre of the system, with the evident intent on the part of the Government ultimately to transfer to it the sole right of issue; the fixing of a definite limit above which all notes must be covered by cash; the prohibition of notes of less denomination than \$25—all show this influence of the English Bank Act.

The one most essential feature which distinguishes the two systems is in the matter of—

Elasticity.—Attention has been called to the fact that the inflexibility of the English system, though intentional on the part of its framers, has in times of panic so threatened disaster that the Act was disregarded, and notes issued by the bank of England in contravention of law. It is in this regard that the German system has introduced a novel feature of much importance. This is through the action of the tax on any issue of notes above the authorized circulation, and not covered by cash. This tax is not intended to be absolutely prohibitory. Under ordinary circumstances it is so, but whenever the inducements to extend the circulation beyond these limits becomes strong enough to outweigh the tax—which can only be in times of extraordinary stringency—this provision opens the way for further issues; and thus insures the currency against any such restriction as that from which England is left at times to suffer. The tax is heavy enough so that there will be no extraordinary profit to the issuing bank, even in times of pressure, and also heavy enough to cause the immediate retirement of the excessive issues as soon as the unusual demand for it shall subside.

The feature is one of which advantage has frequently been taken.*

* For example, in the year 1895, on three occasions the uncovered circulation exceeded the authorized limit by the following amounts:

September 30, 1895.....	M46,086,301
October 7, 1895.....	20,709,895
December 31, 1895.....	148,283,795

The tax on these over-issues amounted to M 214,041.00.

Other points which should be enumerated in connection with the development of bank currency in Germany are—

(1) *Legal Tender*.—The notes are not made a legal tender, as they are in England; and, though the Government does receive them in payments to it, this is only by virtue of an arrangement which it can discontinue at any time. The only semi-legal-tender quality which the notes possess seems to be drawn from our National Bank Act. The notes of any bank must be received by any other in payment of any debts due to it.

(2) *Branches*.—The Imperial Bank had in 1895 64 regular branches, besides 210 auxiliary agencies in various parts of the country; while many of the independent banks also operate branches.

(3) *Redemption*.—Every bank must not only pay its notes on presentation at its counter, but must also maintain an agency for their redemption in Berlin or Frankfort.

The provision that each bank must receive at par the notes of every other bank, added to a further requirement that these notes, if those of any of the independent banks, must not be paid out again except to the issuing bank or in the town where it is located, also aids to secure frequent and regular redemption.*

(4) *Lien on Assets, etc.*—No provision appears ever to have been adopted in Germany, giving the holders of the notes of a bank a first lien upon its assets, in case of insolvency. This is undoubtedly owing to the fact that the development of the deposit and check system has been very backward, and the circulating notes are still an item of three times the importance of deposits; while in the United States forty years ago the deposit system was so far developed in all commercial sections as nearly to reverse these conditions.

On the 31st of December, 1895, the notes of the Reichsbank in circulation amounted to 1,320,089,000 marks, against which the following reserve was held:

Gold bars and foreign gold coin.....	M 370,023,000
German gold coin	200,920,000
Total gold	570,943,000
German thalers (silver).....	204,233,000
Fractional coin.....	77,901,000
Total metallic reserve.....	853,077,000
Treasury notes	15,954,000
Notes of other banks.....	9,375,000
	M 878,406,000

The following is a statement showing the condition of the bank in recent years derived from the average of the weekly statements:

Statement Showing Average Yearly Deposits, Circulation, and Reserve of the Reichsbank of Germany, 1880-1895.

Year.	Notes in Circulation.	Deposits and other Demand Liabilities.	Cash Reserve.				Ratio of Metal to Circulation.	Ratio of Metal to Circulation and Deposits.
			Metallic.	Treasury Notes.	Notes of other Banks.	Total.		
	Marks.	Marks.	Marks.	Marks.	Marks.	Marks.	%	%
1880	735,013,000	185,497,000	562,091,000	42,612,000	24,074,000	628,777,000	76.47	61.06
1881	739,727,000	181,058,000	556,749,000	38,036,000	19,510,000	614,295,000	75.26	60.46
1882	747,020,000	171,690,000	548,984,000	30,906,000	15,072,000	594,962,000	73.49	59.76
1883	737,246,000	203,984,000	601,865,000	23,667,000	13,922,000	639,494,000	81.64	63.94
1884	732,906,000	222,988,000	591,725,000	22,107,000	13,985,000	627,817,000	80.74	61.90
1885	727,442,000	235,614,000	586,131,000	22,926,000	13,150,000	622,207,000	80.57	60.86
1886	802,178,000	284,581,000	693,105,000	19,241,000	12,141,000	724,487,000	86.40	63.78
1887	860,617,000	352,361,000	772,363,000	22,349,000	10,702,000	805,414,000	89.75	63.67
1888	933,042,000	381,820,000	903,403,000	20,438,000	10,226,000	934,067,000	96.82	68.71
1889	987,314,000	385,461,000	871,592,000	19,997,000	9,965,000	901,554,000	88.28	63.49
1890	983,882,000	361,486,000	801,019,000	20,188,000	10,591,000	831,798,000	81.41	59.54
1891	971,666,000	464,126,000	893,789,000	21,320,000	10,450,000	925,559,000	91.99	62.25
1892	984,736,000	511,898,000	942,074,000	24,194,000	9,796,000	976,064,000	95.67	62.94
1893	984,827,000	452,432,000	841,723,000	24,143,000	10,146,000	876,012,000	85.47	58.56
1894	1,000,384,000	492,326,000	934,327,000	25,184,000	10,233,000	969,745,000	93.40	62.59
1895	1,095,593,000	499,548,000	1,011,763,000	23,663,000	10,003,000	1,045,429,000	92.35	63.43

1 mark = 23.8 cents.

* This latter provision, as to paying out the notes of other banks, seems also to have been borrowed from our experience, where it was originated in Massachusetts.

AUSTRIA-HUNGARY.

There is but one bank of issue in the Austro-Hungarian Empire—the Bank of Austria-Hungary—with branch offices in all the principal cities of the country. Its capital is 90,000,000 florins (\$45,000,000), divided into 150,000 shares. It does not belong to the State, nor does the Government have any direct share in its administration; nevertheless the Governor and two Vice-Governors are appointed by Imperial authority. The State has no part in the annual profits of the bank, but has received from it a permanent credit of 80,000,000 florins for which it is required to pay an annual sum of only 1,000,000 florins at most, provided that amount is necessary to make up a dividend of 7 per cent. upon the stock. The bank, however, pays several taxes, aggregating of late years from 12 to 13 per cent. of its profits.

Two-fifths of the amount of notes issued by the bank must be covered by a coin reserve, and the remaining three-fifths by first-class securities upon which cash can be immediately realized. The bank is required to pay to the Government 5 per cent. upon the amount of notes issued by it above 200,000,000 florins. The notes of the Bank of Austria-Hungary are legal-tender. The smallest denomination permitted is 10 florins (\$4.82).

Its charter, which expired in 1888, was renewed for ten years. The bank is required to publish a weekly report of its condition.

BELGIUM.

There is in Belgium only one bank of issue, the National Bank (*La Banque Nationale*), organized under the laws of May 5, 1850, and May 20, 1872. It is not, properly speaking, a State Bank, as the State owns none of the stock. The Government does not interfere in its management, but may veto any action which it deems opposed to the interests of the State. The Treasury receives a share in the profits of the bank—fixed at first at one-sixth, and since 1872 at one-fourth of the profits it realizes over and above 6 per cent. It also receives one-fourth of 1 per cent. on the average circulation of the bank in excess of 275,000,000 francs; and all receipts from discounts in excess of 5 per cent. go to the State. The bank acts as the fiscal agent of the Treasury.

Its capital is 50,000,000 francs, divided into 50,000 shares, of the nominal value of 1,000 francs each. The bank is located at Brussels, with a branch at Antwerp and 39 agencies established in various parts of the country.

Not only the branch at Antwerp, but each of the agencies, redeems the bank's notes on demand. The following shows the redemption movement during 1895:

Notes Presented to Obtain Specie.		Specie Deposited to Obtain Notes.	
Brussels.....	38,464,000 fr.	Brussels... ..	5,714,000 fr.
Antwerp.....	20,750,000 “	Antwerp ..	4,417,000 “
Agencies.....	175,459,000 “	Agencies.....	40,940,000 “
Total.....	234,673,000 fr.	Total.....	51,071,000 fr.

The issue of notes is limited in no absolute way, but the law requires that it should be represented by securities which may be easily realized upon; and that the total circulation and other demand liabilities shall not exceed three times the amount of cash held, except upon the authority of the Minister of Finance. This authority, however, is generally given. The notes are not legal-tender. The denominations are 20, 50, 100, 500 and 1,000 francs.

The following shows the average amount of each denomination in circulation in 1895:

Notes of 1,000 francs.....	136,749,000 francs.
“ 500 “	25,898,500 “
“ 100 “	201,301,800 “
“ 50 “	34,384,700 “
“ 20 “	52,079,100 “
Total.....	450,413,100 francs.

The bank is required to make monthly reports to the Government, including full statement of the condition of all its branches.

On the 31st of December, 1895, the bank notes in circulation amounted to 476,502,020 francs (\$91,965,000) and the deposits to 72,103,788 francs (\$13,916,000). The available assets comprised the public funds of the bank and the reserve 74,989,186 francs; cash in bank, 101,061,507 francs*; bills due and in account current, 45,375,264 francs; bills not due, 365,263,291 francs; loans on public funds, 21,973,000 francs; total, 608,662,249 francs.

* Of this, 82,770,690 francs is gold coin and 4,536,000 francs gold bullion or foreign gold coin. But in spite of this preponderance of gold in the reserve, the actual specie payments by the bank in 1895 comprised 312,988,000 francs of silver to 47,876,000 francs of gold.

SWITZERLAND.

The banks of issue in Switzerland, some founded by individual enterprise and others with cantonal assistance, are of comparatively recent institution. The oldest is that of St. Gall, established in 1836. The Swiss federal law on the issue and redemption of bank notes is dated March 8, 1881.

There are at present in Switzerland 18 cantonal institutions—that is to say, institutions whose capital stock is exclusively furnished by the respective cantons, and for all whose liabilities the respective cantons are responsible; 13 purely private institutions in which the cantons have no interest; and three banks of mixed system, in one of which the canton owns one-half the stock, in another six-tenths, and in the third only 200 shares out of 24,000. The respective cantons are liable only to the amount of their stock. Their share in administration varies according to the amount of stock held.

All these 34 banks are authorized to establish branches or agencies, and 12 of them now have one or more branches.

Previous governmental authorization is necessary to the establishment of a bank of issue. The number of such banks is not limited. The conditions precedent to the establishment of a bank include (a) its principal seat must be in Swiss territory, (b) it must be legally constituted either as a cantonal institution or as a joint stock company, and (c) it must possess a paid up capital of at least 500,000 francs (\$100,000). Each bank must make regular weekly statements, monthly balance sheets and annual reports to the Federal authorities, and is subject to inspection. The notes are also prepared by the Federal authorities and delivered to the banks as required. The Federal Assembly reserves the right of fixing at all times the total issue of the Republic, and determining the quota of each bank. The banks are required to hold a metallic reserve, distinct and independent of all other reserves of the bank, equal at least to 40 per cent. of their circulation, while the remaining 60 per cent. must either be covered by securities readily convertible or be guaranteed by the Canton in which the bank is located. Each bank is required to take the notes of the other banks in payment, and to procure the redemption of the notes of other banks without compensation.

The right of the emission banks to issue notes, however, is likely to be curtailed in the near future in accordance with an amendment to the Constitution in 1891, asserting the right to issue bank notes and all other fiduciary money to belong exclusively to the Confederation, but leaving to the Federal Council to determine whether the monopoly should be exercised by means of a State bank or a joint stock bank controlled by the Confederation. On January 24, 1894, the Council decided in favor of a National bank, pure and simple, the administration of which, however, is to be entirely independent and free from political influence. The plan as outlined by the Department of Finance, contemplates the establishment of the central bank at Berne, with branches throughout the Confederation. The present banks of issue may be incorporated with and made branches of the new National bank.

The obligatory acceptance of bank notes or of any other form of fiduciary money shall not be decreed by the Confederation except in case of necessity in time of war.

At the close of 1895 the outstanding circulation of the Swiss banks amounted to 190,000,000 francs (\$36,670,000); while the reserve consisted of 83,400,000 francs in gold and 11,600,000 francs in silver.

NETHERLANDS.

The Bank of Netherlands, founded in 1814, has the exclusive right to issue notes. Its charter has been renewed three times, each time for twenty-five years. It last expired March 31, 1889, but was again renewed, and will not now terminate till 1914. The Bank of the Netherlands is not a State bank, but a certain amount of surveillance is exercised over it by a special commissioner of the kingdom, who is paid by the bank; and its president and secretary are appointed by the king. It is situated at Amsterdam, but has a branch at Rotterdam, and agencies and correspondents in all important places in the country. Its capital is 16,000,000 florins (\$6,432,000). It receives no interest-bearing deposits and its accounts current are payable at sight.

The amount of issue of its notes is not absolutely fixed, but by royal decree the sum total of its notes, of its checks and balances of account current must be covered to the extent of at least 40 per cent. by its metallic reserve, which may consist of gold and silver coin or bullion. Since 1872 the bank has purchased no silver for its reserve. Under the law its only possible debts are its notes, its own checks, and its accounts current. December 31, 1885, the amount of its notes in circulation was \$86,540,000; while its metallic reserve amounted to \$53,180,000.

NORWAY.

Norway has only one central bank of issue—the Bank of Norway, founded in 1814. It is a joint-stock bank, with the state as principal shareholder, and it is under the direction of state officials. Its capital is 12,500,000 crowns. Its issue of notes, which have legal currency in the country, may not exceed its gold fund plus 24,000,000 crowns; but

the bank is authorized to place one-third of its gold fund with its correspondents in foreign countries. The outstanding notes December 31, 1895, amounted to 51,096,000 crowns, which exceeded the gold fund by 14,304,000 crowns—its actual circulation being thus 9,696,000 less than permitted.

SWEDEN.

Sweden has a state bank of issue, called the Bank of Sweden, whose capital belongs to the nation, whose profits may figure in the budget, and whose administration is confided to a commission, the members of which are elected for two years by the Diet.

Banks of issue may be established by joint-stock companies with the authorization of the king. Their charters run for ten years and may be renewed. The responsibility of the shareholders is unlimited. There are now twenty-seven of these banks, and the right to issue notes belongs to them jointly with the Bank of Sweden. The latter's capital is fixed at 50,000,000 crowns and its reserve fund at 5,000,000. The Constitution guarantees the legal currency of its notes. Its circulation is limited by the law to a fixed sum of 45,000,000 crowns plus the amount of its credits and accounts current with foreign banks and its metallic reserve, which must not fall below 15,000,000 crowns. The notes of the private banks are not legal tender, and are redeemable in gold only and not in the notes of the Bank of Sweden. The notes of the private banks are receivable at the public treasuries the same as those of the State bank. The circulation of a private bank may not exceed the total of the following sums :

(a) The amount of the company's capital converted into mortgages and deposited in public custody ; (b) the part of its reserve invested in mortgages and deposited as above ; (c) the total credits of the bank up to an amount corresponding to one-half the paid-up capital ; (d) the whole of its metallic stock less a reserve in gold equivalent to 10 per cent. of the company's capital.

The Bank of Sweden issues very nearly one-half of the total notes in circulation in the kingdom, as may be seen from the following statement of the amount of bank notes outstanding at the close of 1895 :

	Crowns.
Bank of Sweden (Riksbank) notes.....	56,737,254
Private bank notes.....	60,882,996

117,620,250

The gold reserve of the Bank of Sweden at this time amounted to 24,217,603 crowns, and the silver coin to 2,100,157 crowns. Of the gold 18,335,517 crowns were held at the head office and the remainder were scattered throughout the twelve branches. The notes are in the following denominations :

	Crowns.
1,000 crowns (\$268).	15,526,000
100 " (\$26.80).	12,032,000
50 " (\$13.40).	2,844,150
10 " (\$2.68).	10,369,140
5 " (\$1.34).	14,186,560
1 " (\$0.268).	111,542

55,069,392

Obsolete issues outstanding..... 1,667,862

56,737,254

The uncovered notes of the private banks on the same date amounted to about 33,000,000 crowns.

DENMARK.

The National Bank of Denmark, founded in 1818, is the only bank of issue in the kingdom. Its establishment had been preceded by an unsuccessful experience of five years with a state bank, owned wholly by the Government. The capital of the new National Bank was ingeniously raised by taxation, yet in such a way as to leave the ownership of the bank in the hands of the taxpayers as stockholders. By royal ordinance all real estate in the towns was taxed six per cent. of its value, and all farm lands were taxed one per cent. In return the property owners became shareholders for the amount of the tax. As, however, the new bank was required to redeem all the notes and bonds of the old bank before any profit could be gained for many years no dividends could be paid to the shareholders. From 1845, however, the bank has been paying dividends averaging seven per cent. per annum.

The bank is managed by four directors, one of whom is appointed by the king, and by fifteen so-called representatives. It makes monthly and annual reports to the Bank Commissioner. The stockholders are not liable for anything beyond amounts already invested. Its capital amounts to 27,000,000 crowns (\$7,235,000).

The conditions of note issue, as set forth in a royal proclamation of December 20, 1873, are :

That the bank shall at all times possess a metal fund at least equal to the notes issued in excess of 27,000,000 crowns (\$7,235,000), and never less than three-eighths of the face value of the notes.* The bank must own, as security for notes not covered by this metal fund, good and secure assets to the amount of 150 per cent. of the notes. The metal fund required may consist not only of legal coin (the amount of which must be at least 25 per cent. of the notes, except when the notes exceed 48,000,000 crowns, when only 12,000,000 need be held), but gold bullion and a limited amount of silver bullion at a purchase price not exceeding the relation to gold of 1 to 15.675.

No bank notes of less denomination than 10 crowns (\$2.68) are issued. Its notes are redeemable on demand in gold coin.

As in the case of the Bank of England, the bank also acts as intermediary between the mint and persons desiring to have gold coined, deducting $\frac{1}{4}$ of 1 per cent. for coinage expenses.

The bank had outstanding January 1, 1896, a circulation of about 87,000,000 crowns, and held gold to the amount of 70,000,000 crowns.

ITALY.

Italy has no State bank. By the law of April 30, 1874, six banks were authorized to issue notes payable on demand, to the amount, as an extreme limit, as follows :

National Bank of the Kingdom†.....	450 000,000	franes.
National Bank of Tuscany†.....	63,000,000	“
Tusean Bank of Credit†.....	15,000,000	“
Roman Bank†.....	45,000,000	“
Bank of Naples.....	146,250,000	“
Bank of Sicily.....	36,000,000	“

755,250,000 franes,

while each was required to maintain a cash reserve equal to $33\frac{1}{3}$ per cent. of its total demand obligations.

But after the abolition of forced currency this limit was modified and the banks authorized to issue additional notes, provided the excess was covered in full by a second metallic reserve.

There are now in Italy only three banks of issue, the largest of which is the Bank of Italy. This institution dates back to the year 1849. It was first constituted under the name of the Sardinian Bank, with a capital of 8,000,000 lire, and was afterwards called the Sardinian National Bank, and at the time of the proclamation of the Kingdom of Italy became the “National Bank of the Kingdom.” By an act bearing date of August 10, 1893, the Tuscan National Bank and the Tuscan Bank of Credit were consolidated with the National Bank of the Kingdom into the Bank of Italy, with a nominal capital of 300,000,000 lire (\$60,000,000), of which 210,000,000 lire are paid in. The capital was reduced in 1894 to 270,000,000 lire.

The other two banks now in operation are the Bank of Naples, with a capital of 170,000,000 lire, and the Bank of Sicily, with a capital of 50,000,000 lire—each a state institution, with no private stockholders.

The right of issuing bank notes is granted to these three institutions for a period of twenty-five years from 1893. The issue of bank notes is ultimately to be limited to three times the actual paid-up capital. However, until 1897, a special limit circulation is imposed, viz. :

Bank of Italy.....	800,000,000	lire.
Bank of Naples.....	242,000,000	“
Bank of Sicily.....	55,000,000	“

1,097,000,000 lire.

The banks are then under obligation to further reduce their circulation within the next ten years, so that by 1907 it shall not exceed—

Bank of Italy.....	630,000,000	lire.
Bank of Naples.....	190,000,000	“
Bank of Sicily.....	44,000,000	“

864,000,000 lire,

and if the circulation of either bank shall then exceed three times its paid-up capital, it shall reduce its circulation still further.

* In 1877 permission was granted the National Bank to increase to 30,000,000 crowns the amount of its uncovered note issue.

† Consolidated in 1893 into the Bank of Italy.

‡ On account of grave irregularities, this institution has lately been liquidated by the Bank of Italy.

The circulation must be covered by a 40 per cent. cash reserve—33 per cent. exclusively in gold or silver, in the proportion of three-fourths gold and one-fourth silver, and the remaining 7 per cent. in foreign exchange or certain other specified forms of assets.

These three banks of emission are also required to make advances to the Treasury, to the amount of 100,000,000 lire in the case of the Bank of Italy, 28,000,000 lire for the Bank of Naples and 7,000,000 lire for the Bank of Sicily—135,000,000 lire in all. In consideration of these advances the banks have the privilege of issuing, beyond the limits stated above, further notes to the amount of the advances, being required to hold against such issues a reserve of only 33½ per cent. Such circulation is not taxed. The Treasury, in accordance with the law of August 8, 1895, pays 1½ per cent. interest, clear of all taxation, upon all amounts thus advanced.

On the circulation on account of trade, after having deducted the amount of the metallic reserve, an annual tax of 1 per cent. was assessed for the first two years under the law of 1893. Since the expiration of that period, however, the tax has been reduced to one-fifth of the average rate of discount for the six months to which the taxed circulation pertains—but not exceeding 1 per cent. Whenever the circulation exceeds the normal limits specified above, and when the excess is covered by a special metallic reserve of 40 per cent., and is not beyond 45,000,000 lire for the Bank of Italy, 14,000,000 lire for the Bank of Naples and 3,500,000 lire for the Bank of Sicily, the surplus circulation is subject to an extraordinary tax, equal, including the normal tax, to two-thirds of the discount. (If the excess is entirely covered by metallic reserve it is not subject to this extraordinary tax.) Beyond these limits, and to double the sums above mentioned, the surplus circulation is subject to an extraordinary tax, equivalent (including the normal tax) to the entire amount of the discount. If the excessive circulation should exceed double the sums mentioned, or if the required reserve of 40 per cent. is not maintained, the bank becomes subject to an exceptional tax corresponding to double the amount of the discount.

For many years the paper currency of Italy was irredeemable, and recently, after several years of convertible currency, the banks have again suspended specie payments. Their notes are now depreciated about 8 per cent. below gold values.

The following statement indicates the circulation and reserve of each of the Italian banks of issue at the close of 1895 :

Name of Bank.	Circulation.	Reserve.		
		Gold.	Silver.	Total.
	<i>Lire.</i>	<i>Lire.</i>	<i>Lire.</i>	<i>Lire.</i>
Bank of Italy.....	758,300,000	299,300,000	52,200,000	352,500,000
Bank of Naples.....	242,300,000	105,600,000	10,400,000	116,000,000
Bank of Sicily.....	52,200,000	35,200,000	1,500,000	36,700,000

GREECE.

Greece has only three banks of issue—the National Bank of Greece (established in 1842), the Ionian Bank (established in 1839), and the Epeiro-Thessalian Bank. Each is under the supervision of a royal commissioner appointed by the Government.

The regulations of the National Bank require that three-fourths of its capital stock be invested in mortgages or approved securities; of the Epeiro-Thessalian Bank that three-quarters of the capital stock and reserve fund be so invested.

All the banks are permitted to conduct branch banks or offices. The National, with its head office at Athens, has branches in twenty-six towns of Greece, and the Ionian Bank, whose head office is in London, has branches at five points in Greece.

Since October 1, 1885, the notes of these banks have constituted an irredeemable legal tender paper currency, partaking more of the nature of Government notes, issued through the medium of special banks than of bank currency. Under the agreement for this forced currency, the National Bank can issue 70,000,000 drachmas for the Government and 60,000,000 for its own account; the Ionian Bank 2,000,000 drachmas for the Government and 5,000,000 for its own account; and the Epeiro-Thessalian Bank, 800,000 for the Government and 4,200,000 for its own account. By special agreement these three privileged banks have been authorized to issue 14,000,000 drachmas of Government fractional currency (notes for one and two drachmas), one-half of which is put in circulation through the National Bank, and one-fourth through each of the others.

In return for the privileges granted them, the banks pay a tax of 5 per cent. on their dividends, and transact certain government business, free of charge.

The following recent balance sheets of the two larger banks will indicate their condition :

Balance Sheet NATIONAL BANK OF GREECE, October 12, 1895.

<i>Liabilities.</i>		<i>Assets.</i>	
	Drachmas *		Drachmas *
Capital subscribed and paid up.....	20,000,000 00	Cash.....	1,852,393 05
Reserve fund.....	11,500,000 00	Notes of other banks.....	2,965,500 95
Notes in circulation.....	106,252,864 37	Current accounts abroad.....	8,938,462 14
Deposit and current accounts.....	88,629,015 06	Shares in other companies.....	2,972,325 19
Savings bank.....	1,413,011 26	Advances to Government.....	10,130,598 02
Dividends payable and credit.....	607,172 80	Government bonds.....	38,487,457 83
Profit and loss, sundry liabilities.....	263,544 29	Sunday loans to public bodies.....	23,435,445 88
Deposits without interest.....	6,098,709 48	Bills.....	12,091,897 65
Notes of 1 and 2 drachmas.....	7,000,000 00	Agricultural bills.....	1,479,633 95
Bills payable.....	3,034,712 05	Bills over due.....	4,989,219 35
Government deposits.....	126,737 50	Advances on first mortgage.....	38,818,548 61
Service of bank's loan.....	1,372,480 00	Advances on securities.....	3,928,738 74
Different accounts.....	954,848 76	Bank premises.....	5,817,628 76
		Real estate.....	976,082 41
		Sundry assets.....	1,433,106 43
		Loan to Government on forced cur- rency and notes of 1 and 2 drachmas	77,787,754 19
		Different accounts.....	5,868,299 92
Total.....	247,253,095 57	Total.....	247,253,095 57

Balance Sheet IONIAN BANK, September 12, 1895.

<i>Liabilities.</i>		<i>Assets.</i>	
	Drachmas.		Drachmas.
Capital paid.....	7,887,687 50	Cash on hand.....	402,578 99
Notes in circulation.....	8,566,061 97	Cash on hand in London.....	230,874 80
Notes of 1 and 2 drachmas.....	3,495,298 00	Notes of National Bank of Greece....	1,356,864 58
Current accounts.....	3,831,876 69	Notes of Epeiro-Thessalian Bank....	5,958 00
Deposits bearing interest.....	8,150,292 84	Loan to Government under agreement for forced currency.....	3,894,280 94
Bill as payable.....	397,360 76	Loan to Government, 1 and 2 drachma notes.....	3,499,999 00
Different accounts.....	47,510 69	Government treasury bills.....	767,587 50
Undivided profits.....	827,581 23	Investments in London.....	3,670,669 79
Provision for doubtful debts.....	560,310 28	Investments in Athens.....	251,750 00
		Bills receivable, London.....	613,707 81
		Bills discounted (commercial, propri- etors, etc).....	5,412,908 41
		Advance on securities.....	2,965,288 44
		Advances on mortgages.....	7,498,359 95
		Loans and current accounts.....	1,774,561 42
		Mortgaged property foreclosed.....	232,482 17
		Doubtful debts.....	581,894 20
		Freehold premises.....	603,213 96
Total.....	33,763,979 96	Total.....	33,763,979 96

The paper currency circulated by these banks and which constitutes the chief circulating medium of the country, is depreciated about 40 per cent. below its nominal value in gold. As a consequence the drachma instead of being worth 19.3 cents, the same as the Franc is worth only 11 cents or 12 cents.

SPAIN.

The only bank of issue in the country is the Bank of Spain, founded in 1829, reorganized in 1856, with a franchise of twenty-five years, which was renewed in 1874 for a period of thirty years, and more recently by the Act of July 14, 1891, until December 31, 1921. It has enjoyed the exclusive privilege of issuing bank notes, however, only since March 19, 1874. The law of that date raised its capital to 100,000,000 pesetas, divided into 200,000 shares (of the nominal value of 500 pesetas). Since then it has been raised to 150,000,000. The eighteen provincial banks of issue existing at that time have been liquidated. The bank is not a State bank, and the State has no share in its profits, but imposes heavy taxation on its profits. The bank, in return for the concessions made it by the law of 1891, has advanced to the Treasury the sum of 150,000,000 pesetas, to be refunded upon the expiration of its charter in 1921. It is located at Madrid, with branches in the principal cities. It has a reserve fund equal to 10 per cent. of its paid-up capital. Any diminution of this reserve fund has to be made good from the yearly profits over and above 6 per cent. It is authorized to issue bank notes to an amount equal to 1,500,000,000 pesetas, but may not, under any circumstances, issue more than three times its metallic reserve. Its notes have legal currency, and are of denominations of 1,000, 500, 100, 50 and 25 pesetas. The aggregate amount outstanding March 14, 1896, was 1,017,280 pesetas (\$200,000).

The circulation of this bank, at present inconvertible, constitutes the greater part of the actual currency of the country—gold being at a premium of about 18 per cent.

* The paper drachma is now worth between 11 and 12 cents.

Table Showing Circulation, Deposits and Specie Reserve of the Bank of Spain Annually Since 1891.

	Circulation.	Deposits.	Specie Reserve.
	<i>Pesetas.</i>	<i>Pesetas.</i>	<i>Pesetas.</i>
March 14, 1891.....	743,462,000	356,548,000	263,264,000
March 18, 1892.....	808,323,000	364,669,000	321,567,000
March 18, 1893.....	882,216,000	333,124,000	391,316,000
March 17, 1894.....	922,415,000	380,916,000	448,618,000
March 16, 1895.....	910,504,000	326,065,000	554,332,000
March 14, 1896.....	1,017,280,000	408,559,000	501,454,000

PORTUGAL.

The Bank of Portugal, founded in 1822, is the only bank in the country authorized to issue notes. Its capital is 13,500,000\$000 reis (\$14,580,000), divided into 135,000 shares of 100\$000 reis each. The bank is managed by a Governor, appointed by the Government, and by a board of ten directors, elected by the shareholders. Its operations are carried on through the medium of 20 branches. Its notes are received by the public treasuries, but otherwise have not legal currency. Though at present inconvertible, and depreciated about 25 per cent. below par, they constitute the greater part of the currency of Portugal. Dec. 31, 1895, the aggregate amount in circulation was 55,921:539\$250 (\$60,400,000), in denominations of 100, 50, 20, 10, 5 and 1 milreis and 500 reis.* The coin reserve held by the bank at the same date consisted of 4,762:422\$168 gold (\$5,125,000) and 6,744:914\$400 silver (\$7,285,000).

RUSSIA.

The sole bank of issue is the Imperial or State Bank, established in 1860, which is really a part of the Imperial Treasury, though it has a capital of 25,000,000 roubles and a reserve fund of 3,000,000 roubles set aside as the inviolate property of the bank. Its notes are practically the same as government notes—similar to our “greenbacks”—and are legal tender for all purposes within the Empire. They are not convertible even in silver and as a matter of fact they have frequently been below par with silver. They are issued in denominations of 100, 25, 5, 3 and 1 roubles† and constitute almost the entire actual medium of exchange in Russia.

The note issues at the close of 1895 amounted to nearly 1,100,000,000 roubles (nominally \$864,840,000, but actual value only \$560,000,000). The bank holds a large reserve of gold (\$384,000,000 at the end of 1895) but it performs no function in the currency, and is not intended to be used for redemption of the notes.

GRAND DUCHY OF FINLAND.

Finland, unlike the remainder of the Russian Empire, has maintained its currency, both metallic and paper, on a gold basis. The Bank of the States, “Finland’s Bank,” is the sole bank of issue. Its capital is 10,000,000 Finnish marks (\$1,929,000) and it is governed by a board of managers appointed by the State authorities.

The total amount of notes in circulation and other demand liabilities is not allowed to exceed 35,000,000 marks (\$7,000,000), beyond the amount of gold coin and bullion and silver coin held and balances due the bank from abroad.

The following items indicate the situation of the bank on September 30, 1895 :

	<i>Marks.</i>		<i>Marks.</i>
Capital.....	10,000,000	Gold held	21,860,000
Reserve.....	13,458,000	Bonds	20,177,000
Notes in circulation.....	55,547,000	Foreign balances	31,008,000
Deposits.....	17,369,000	Inland bills.....	17,298,000
		Loans.....	9,389,000

(1 Finnish mark=1 franc=19.3 cents).

TURKEY.

The only bank of issue in Turkey is the Imperial Ottoman Bank, under the supervision of an imperial commissioner. Its notes are payable exclusively in gold. The law requires that a reserve equivalent to 33⅓ per cent. of the face value of the notes shall be kept. Its actual reserve, however, is generally greater than its circulation. Thus at the end of 1886 it had a circulation of about \$1,758,500 and a reserve of \$6,150,000. At the close of 1895 it had a reserve of \$9,780,000, and a note circulation of only \$4,940,000.

* 1 milreis (written 1\$000) in gold is equivalent to \$1.08.
† While the gold rouble is worth 77.2 cents, the paper rouble is now worth only about 51 cents and the silver rouble, intrinsically, 39 cents, though maintained at a value higher than this through government limitation of coinage.

ROUMANIA.

The only bank of issue is the National Bank of Roumania. The law of 1890 reorganizing the currency system of the country upon a gold basis limited the issue of its notes in the proportion of $2\frac{1}{2}$ paper to 1 of gold. At the end of the year 1895 its circulation was 131,900,000 lei (\$26,380,000), and its specie reserve 63,700,000 lei (\$12,740,000).

SERVIA.

The National Bank of Servia, located at Belgrade, with a branch at Nisch, is the sole bank of issue. It is required to maintain a specie reserve equal to one-third its note issue. Its circulation at the close of 1895 was 24,600,000 dinars (\$4,920,000) and its metallic reserve 10,900,000 dinars (\$2,180,000).

JAPAN.

In 1872, a system of national banks, similar to those of the United States, was established in Japan, but as they were obliged to redeem their notes in specie, while the government currency of the period was inconvertible, the result was not a success. About 1876 the bank notes were made convertible into government currency. The banks were required to hold eight-tenths of their capital in government bonds and the remaining two-tenths in government paper currency as a reserve. Notes to an equal amount might be issued, which notes were made legal tender. By 1879 the number of banks was 153, and their note issue 34,000,000 yen—the maximum allowed under the act.

In 1882 the present National Bank of Japan was established with a capital of 10,000,000 yen, one-half of which was subscribed by the Government. Its issues were to be convertible into coin (silver), and were designed to supplant both the inconvertible government currency and the notes of the existing national banks. In order to accomplish this the Bank of Japan was empowered to issue notes under the following conditions:

- (1) Against an equal amount of gold or silver coin or bullion.
- (2) Against Government bonds, treasury bills, deeds and commercial bills—the amount not to exceed 70,000,000 yen, subject to a reduction in proportion to the National bank currency not yet retired.
- (3) If considered advisable, the bank was empowered to issue notes in addition to this sum, paying a tax of 5 per cent. on the amount so issued.*

The legislation of this time also contemplated the gradual withdrawal of both government currency and the notes of the former national banks. The result of operations under these laws had been that since 1883 the government paper in circulation had been reduced from 93,000,000 yen† to 13,000,000; and the national bank currency from 34,000,000 yen in 1883 to 21,800,000 yen on December 31, 1894; while in the same period the issues of convertible notes by the National Bank have increased from 2,000,000 yen to 150,000,000. These notes, convertible at all times into silver yen, have come to be regarded almost as silver certificates.

The statement of the issue department of the Bank of Japan, which, like that of the Bank of England, is kept separate from the banking department, is as follows for December, 1894:

	Yen.		Yen.
Circulation	145,572,73	Gold coin and bullion....	32,346,062
		Silver coin and bullion...	49,650,751
		Total metal.....	81,996,813
		Government obligations.	46,071,755
		Other securities.....	4,500,000
		Commercial paper	13,004,171
			145,572,739

The Bank held in its banking department 10,977,599 yen of its own notes, leaving in actual use 134,595,140 yen.

CHINA.

Native chartered banking companies are unknown. Private bankers, mainly banks of deposit and discount, are found in all the large towns, while several foreign banks, organized under foreign laws, also operate in China. The chief of these is the Hong Kong and Shanghai Banking Corporation, which issues notes and transacts a large banking business through branches at all the important ports. It was chartered in 1866, with a capital of \$10,000,000, to which sum its note issue is limited. Shareholders are liable without limit for the notes. A coin reserve of at least $33\frac{1}{3}$ per cent. must be maintained.

* This provision is readily recognized as having been derived from the German banking system; while the other provisions also show the influence of the German system.

† The currency of Japan being upon a silver basis, the value of the yen has continued to decrease with the fall in the price of silver, so that instead of \$1.00 in gold, which was its value in 1874, it is now worth only \$0.52.

The bank's condition in 1894 was reported to the Home Government as follows :

<i>Resources.</i>		<i>Liabilities.</i>	
Cash	£1,829,439	Capital	£1,053,000
Bullion	939,160	Surplus	442,000
Investments	768,000	Circulation	1,039,000
Loans	10,989,000	Deposits	9,705,000
Other	137,000	Other	2,397,000

The issue of notes by the private bankers is wholly unrestrained, and denominations as low as 10 cents are in use. These notes, however, have only a limited field of circulation.

AUSTRALASIA.

VICTORIA.—The basis of the present banking system is the Consolidated Banks and Currency Statute of 1864, the provisions of which were extended in 1887 so as to apply to banking firms and individual bankers. By the latter act (1887) the bank notes were made a first charge on all assets not already held under mortgage to another creditor. Before notes may be issued the banking institution must have a subscribed capital of £250,000, one-half of which must be *bona fide* paid up. During the first quarter of 1893 there were in Victoria 12 note-issuing banks with over 500 branches. Their notes in circulation amounted to about \$6,000,000 (more than covered by coin held); their deposits at the same time being about \$190,000,000.

QUEENSLAND.—There are eleven banks in Queensland, whose notes in circulation 1893 amounted to \$2,800,000, more than covered by coin held.

SOUTH AUSTRALIA has 10 banking institutions. Their average note circulation in 1892 was \$2,000,000.

WESTERN AUSTRALIA had in 1893 five banks of issue, whose aggregate circulation was less than \$450,000, and whose deposits amounted to \$6,000,000.

NEW SOUTH WALES.—Amount of bank notes in circulation \$7,000,000, more than covered by coin held by the banks.

NEW ZEALAND.—There were in 1892 six banks of issue doing business in New Zealand, three of which were wholly New Zealand institutions. The value of notes in circulation was \$4,750,000.

Of these banks of issue in Australasia 17 are chartered by the English Government. It will be observed that in general the function of note-issue is not important—the coin held being usually in excess of the circulation and the single item of deposits many times as great as the value of the notes. Sixteen banks operating under royal charter and reporting to the Home Government in 1894, have a circulation of \$18,500,000 and deposits of \$605,000,000.

MEXICO.

The several chartered banks of Mexico were consolidated in 1884 into the National Bank of Mexico, which has the exclusive right to issue bank notes, which are received in payment of all taxes. The Government does not guarantee them, but merely authorizes their issue by the bank.

The bank can issue notes for three times the amount of its capital, and deposits not of a confidential character. The Government appoints supervisors to see that this limit is not exceeded. The bank has a right to establish branches at any place, and has actually established them in all the principal cities of the country. The circulation at the close of 1894 is reported to have been \$28,000,000.

The bank has agreed to advance to the Mexican Government from \$6,000,000 to \$8,000,000 at 6 per cent. interest, and also acts as the fiscal agent of the Government.

SOUTH AMERICAN STATES.

ARGENTINE REPUBLIC.

The banking system of the Argentine Republic has a peculiar history. Up to 1863 there was but one bank in the country—the Bank of the Province of Buenos Ayres. Founded originally as a private bank in 1822, the institution was changed in 1826 to a State bank from the proceeds of an English loan, the province becoming a shareholder. Its paper at that time had a value equal to that of the silver currency then in circulation. In 1868 this paper had depreciated to 4 cents in gold per dollar, and at that rate it was converted into a new issue.

In the years 1886 and 1887 the development of the country had reached such proportions that great need was felt of more satisfactory banking facilities than then existed. There was also a cry for more money. With a view to satisfying both of these wants, the Argentine Congress enacted, on November 3, 1887, the guaranteed Banking Act. This permitted the provincial banks to issue notes to the par value of $4\frac{1}{2}$ per cent. gold bonds held by them, but required no further basis of actual banking capital. The insufficient capital of these banks, together with the fact that they were not required to redeem their notes in specie, resulted in an excessive and unsound inflation of the currency which led to the failure, in 1891, of all these banks, together with the Banco de

la Nacion—the premium on gold rising to 370. All these provincial banks are now in liquidation.

The State Bank (*Banco de la Nacion*) had been originally created in 1872 with a capital of \$5,000,000, two-fifths of which was subscribed by the Government. On the passage of the Act of 1887, the bank had been reorganized under its provisions for a bond-guaranteed currency. After its failure in 1891, along with the other banks acting under the law of 1887, in order to maintain some degree of banking connections, it was reorganized as the present Banco de la Nacion, with a capital of \$50,000,000 owned by and wholly under the control of the Government. It has branches at various points throughout the country. It is now the sole bank of issue.

Its notes now issued, with a guaranty of public funds in gold, amount to about \$40,000,000, while those issued without such guaranty amount to about \$200,000,000.

BRAZIL.

From about 1850, when the Bank of Brazil received a grant of the privileges of note issue until 1864, its notes were convertible into gold coin or government notes. But since 1864 specie payments have been suspended.

Soon after the declaration of the present Republic additional banks of issue were authorized, whose issues expanded the circulation from \$100,000,000 in 1889 to \$250,000,000 in 1891. Meanwhile the paper rapidly depreciated in value. In 1892 the two chief banks, the Banco do Brazil and the Banco da Republica were united as the Banco da Republica do Brazil, becoming responsible for the existing circulation, while the ultimate responsibility rests with the Government.

Notes as small as 500 reis (28 cents) are issued.

CHILE.

The banks of issue of Chile were established by the Act of July 23, 1860. The amount of notes which each is permitted to issue is limited to 150 per cent. of its paid-up capital. Since 1878, the bank issues of the country have been irredeemable except in the government currency, with which they have depreciated.

There are now 22 banks of issue in operation, whose aggregate circulation on August 31, 1895, amounted to \$19,300,000 in Chilean currency (equivalent to \$7,000,000 in our standard). Over half of this circulation is issued by the Bank of Chili, the leading bank in this country. This bank has 26 branches in operation.

By the recent legislation, effecting a resumption of specie payments, the banks of issue have been required to deposit with the Treasury full security for their issues—either coin, Treasury notes, Government or municipal bonds or bonds of mortgage banks. In case of insolvency the Government realizes upon this guaranty for the redemption of the notes. Beside this, bank notes are given a preference over all other claims against an insolvent bank, except judicial costs.

ECUADOR.

There are three banks of issue operating under charters of Congress. They are required to maintain a silver reserve of 33 1-3 per cent. of the notes in circulation. No provision is made for the redemption of the notes other than the proper management of the banks by the officials, with some Government inspection. The banks of issue in Ecuador are: (1) The Bank of Ecuador, established in 1867 in Guayaquil, capital, 5 000,000 sucres*; (2) The Bank of Commerce and Agriculture, recently established in Guayaquil, in which the older International Bank is merged, capital, 5,000,000 sucres; and (3) The Bank of the Union, with a capital of 240,000 sucres, founded in Quito in 1881.

This latter bank is now in a state of suspension, and its notes are at a large discount. On the 30th of September, 1895, it was reported to hold a silver reserve of 200,233 sucres, and to have outstanding its notes to the amount of 575,259 sucres.

The notes of the Bank of Ecuador and the International Bank are preferred to silver, and these banks have maintained a high character at home and abroad.

URUGUAY.

There remain only two banks authorized to issue circulating notes. These are the London and River Plate Bank and the Italian Bank of the River Plate, which acquired the right of issue before the repeal. They are allowed to emit notes of not less than \$10 up to double the amount of their respective capital. The notes are not legal tender.

Each bank makes its own provisions for the redemption of its notes, which must be kept convertible into gold on demand. In case of insolvency, the notes are considered a privileged debt and must be paid before the other creditors.

There is also in liquidation a national bank, whose assets are not sufficient to pay the notes and other preferred claims.

* The sucre, which contains just the same amount of silver as the French 5-franc piece, or as \$1 of our subsidiary silver coin, is now worth only 45.6 cents.

Situation of the Principal Banks of Issue at the End of 1895.

[Bulletin de Statistique, January, 1896.]

Name of Banks.	Metallie Reserve.	Analysis of the Reserve.		Bills Payable to Bearer in Circulation.
		Gold.	Silver.	
Imperial Bank of Germany.....	\$213,280,000	.....	.....	\$330,020,000
Bank of Austria-Hungary.....	155,700,000	\$102,520,000	\$53,180,000	260,360,000
National Bank of Belgium.....	19,980,000	.....	.....	83,880,000
National Bank of Bulgaria (a).....	920,000	.....	.....	460,000
National Bank of Denmark.....	19,580,000	19,580,000	.....	24,380,000
Bank of Spain.....	91,360,000	40,020,000	51,280,000	197,900,000
Bank of Finland (b).....	4,940,000	4,340,000	600,000	11,500,000
Bank of France.....	640,580,000	592,600,000	247,980,000	696,980,000
National Bank of Greece (b).....	380,000	.....	.....	22,600,000
Italy:				
Bank of Italy (c).....	70,500,000	59,860,000	10,640,000	151,660,000
Bank of Naples (c).....	23,200,000	21,120,000	2,080,000	48,460,000
Bank of Sicily (c).....	7,340,000	7,040,000	300,000	10,440,000
Bank of Norway (b).....	7,400,000	.....	.....	14,220,000
Bank of The Netherlands.....	53,180,000	18,640,000	34,540,000	86,560,000
Bank of Portugal.....	13,660,000	5,340,000	8,320,000	62,200,000
Bank of Romania.....	12,740,000	12,200,000	540,000	26,380,000
United Kingdom:				
Bank of England.....	213,000,000	218,000,000	.....	131,500,000
Banks of Scotland (d).....	27,600,000	24,600,000	3,000,000	35,200,000
Banks of Ireland (d).....	16,440,000	14,420,000	2,020,000	29,540,000
Imperial Bank of Russia.....	388,000,000	384,000,000	4,000,000	864,840,000
Bank of Servia.....	2,180,000	1,240,000	940,000	4,920,000
Sweden:				
Royal Bank (e).....	7,480,000	6,800,000	680,000	15,240,000
Private Banks (e).....	5,260,000	2,100,000	3,160,000	16,960,000
Swiss Banks of Issne.....	19,000,000	16,680,000	2,320,000	38,000,000
Ottoman Bank (f).....	9,780,000	.....	.....	4,940,000
U. S. National Banks (g).....	196,017,000	156,894,000	39,123,000	217,006,000

(a) Situation October 15, 1895. (d) Situation October 5, 1895.
(b) Situation November 30, 1895. (e) Situation October 31, 1895.
(c) Situation December 20, 1895. (f) Situation July 31, 1895.
(g) Situation February 28, 1896.

NOTE.—In this table francs have been reduced to dollars on the basis of 5 francs = 1 dollar.

“Sound Currency Red Book 1895.”

SOUND CURRENCY 1895. A Compendium of Accurate and Timely Information on Currency Questions, intended for Writers, Speakers and Students. New York: Reform Club Sound Currency Committee, 1895. Pp. xxvi + 508, 8vo. Paper, \$1.00; cloth, \$1.25; half morocco, with gilt top, \$1.75; express charges prepaid.

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All new schemes of fiat money must be strenuously resisted, whether proposed in the form of depreciated silver or of legal tender Treasury notes. A safe and elastic system of banknote currency must be devised and put in operation, both to pave the way for the retirement of the greenback issues of the Federal Government and to put a stop to the constant and dangerous demands upon Congress for "more money." The Treasury of the United States, thus relieved from the responsibility imposed upon it in respect to the currency, will then be free most effectively to perform its legitimate functions—the collection and disbursement of Federal revenues.—PLATFORM OF THE REFORM CLUB.

NATIONAL AND STATE BANKS.

BY HORACE WHITE.

	PAGE
OBJECT OF NATIONAL BANKING SYSTEM.....	206
THE TAX ON STATE BANKS' NOTES.....	206
STATE BANK SYSTEMS.....	207
STATE BANK OF INDIANA.....	207
STATE BANK OF OHIO.....	209
LOUISIANA BANK ACT OF 1842.....	209
MASSACHUSETTS AND THE SUFFOLK BANK SYSTEM.....	210
FREE BANKING LAW OF NEW YORK.....	211
FREE BANKING IN THE WEST.....	212
WILDCAT CURRENCY EXPERIENCE.....	212
THE "BANKING PRINCIPLE".....	214
THE "CURRENCY PRINCIPLE".....	214
THE TRUE PRINCIPLE.....	215
BANKING ON SECURITIES DOOMED.....	215
HOW TO PRESERVE THE NATIONAL SYSTEM.....	216
THE "SAFETY FUND PRINCIPLE".....	218
BANK NOTE INFLATION.....	220
CONCLUSION.....	220

OBJECT OF NATIONAL BANKING SYSTEM.

The national banking system was recommended to Congress by Secretary Chase in his first annual report, December, 1861. He urged its adoption both as a measure of currency reform and as a means of replenishing the public treasury. As a matter of fact, the act brought little aid to the treasury until after the need of it had passed by. The war ended practically in April 1865. The whole amount of national bank notes issued up to the third of that month was only \$98,896,488. The sum total of fiscal aid gained by the operation of the act up to that time therefore did not exceed \$109,000,000, and this was only 3 6-10 per cent. of the borrowings of the Government.

THE TAX ON STATE BANKS' NOTES.

The national bank bill was not favored by Congress during the first or the second year of the war. It was reported adversely by the Committee of Ways and Means on the eighth of January, 1863. The bill was then started in the Senate, where it was passed February 12, 1863, by a vote of twenty-three to twenty-one. A few days later it passed the House by seventy-eight to sixty-four. It was revised and repassed on the third of June, in the following year, but neither in the original nor in the amended act was there any discriminating tax on State bank notes. It was proposed by Mr. Hooper, of Massachusetts, in the House, on the seventeenth of February, 1865, and in the form in which he offered it, it was defeated. It was again offered in substantially the shape in which it now stands, on the same day, by Mr. Wilson, of Iowa, and it was adopted by an accident. The vote was sixty-eight yeas to sixty-seven nays, but Mr. Brooks, of New York, who had bitterly opposed it in debate, voted in the affirmative in order to move a reconsideration. When he moved the reconsideration, Mr. Washburne, of Illinois, moved to lay that motion on the table, and on the latter motion the vote was a tie, seventy-one to seventy-one. The speaker then voted in the affirmative, and his vote saved the Wilson amendment. If Mr. Brooks had voted in the first instance as he had fought, there would have been a majority of one against it.

In the Senate the Committee on Finance reported adversely to the tax, but was overruled by a majority of two. I mention this merely to show how small was the preponderance of sentiment, if any, in favor of the tax at the time when it was enacted. Although enacted on the third of March, 1865, the tax did not go into effect until August 1, 1866, or fifteen months after the close of the war.

The constitutionality of the tax has been called in question. The Supreme Court held, in the case of *Veazie Bank vs. Fenno*, that it was not repugnant to the Constitution. There may be room for difference of opinion as to the scope of the decision, but according to my reading the court held that the right of Congress to tax bank notes had existed, and that the judicial department of the Government could not prescribe limitations to the legislative department upon the exercise of its acknowledged powers.

A different question is raised when we look at the moral and economical features of the tax. If you can tax bank notes, not for the purpose of revenue, *i.e.*, not for the usual purposes of taxation, but for something quite different, you may tax anybody or anything on the same principles. The debate shows that the tax was imposed to kill State bank notes, not to obtain money for public uses. Such a power can be invoked to destroy any industry, to take away any man's livelihood, and to reduce him to beggary. This power was invoked a few years ago to destroy the oleomargarine industry, and there is now pending a bill, which has passed one branch of Congress, to tax out of existence the business of making a certain class of contracts called "futures." This bill has created far more commotion during the past twelve months than the tax on State bank notes ever did. It was and is advocated by some who have no pecuniary interest to serve, as an anti-gambling statute. Dealing in futures, they say, is gambling. Ought we not to

suppress gambling by every means in our power? Whether dealing in futures is gambling or not, whether some of it is gambling and some not, I observe that orthodoxy is brought in to give a lift to every such measure. It was especially so in the oleomargarine case. The making of this article was pronounced immoral and even infamous, although it turned out that the most deceptive and deleterious compounds in the market going under the name and guise of butter were really butter done over with chemicals. Now orthodoxy, according to a well known formula, is my doxy and heterodoxy is your doxy. If I want to tax your business out of existence because it interferes with mine, I shall begin by persuading Congressmen that you are a bad fellow and that your influence over the young is pernicious. I confess that I was captivated with the idea of taxing the Louisiana Lottery out of existence by act of Congress, but I see now that a better way was found. I hope, if another round is to be fought with that monster, that means may be devised for overcoming it without resort to so doubtful an expedient; for there is no limit to its oppressions if the principle is admitted that you may use the taxing power for other purposes than those of the public fisc.

But we are confronted with the fact that the thing has been done. If the means were questionable, still *we* are not responsible. The blame, if any, is on the last generation. Are we required, upon sentimental or other grounds, to undo what they did, even at the risk of producing chaos? I consider the sin of inflicting a bad currency upon the people the deadliest that a government can commit. Hence it becomes us, before answering this question, to look at the probable consequences.

STATE BANK SYSTEMS.

If we are to assume that one of the consequences will be the circulation of bank notes as bad as some of these which existed before the war, no further argument is needed. There were good banks and bad banks before the war. There were good bank systems and bad bank systems. Let us glance at some of both kinds.

STATE BANK OF INDIANA.

The State Bank of Indiana was incorporated by a special charter in 1834. The capital stock was originally fixed at \$1,600,000, and of this sum the State was to subscribe one half and private individuals the other half. The State really supplied the whole capital by an issue of bank bonds, and advanced one-half of it to private individuals on mortgage security. The capital was afterwards increased, the State reserving to itself the option to take one-half of the several increments. All the stock subscriptions were required to be paid in specie. The State Bank consisted of a president and board of directors at Indianapolis, who were a supervising body, but who had no capital under their control and transacted none of the details of the business. All the details were performed by the branches of the State Bank, originally ten, but increased in number from time to time. The branches were managed by the private shareholders exclusively. The stock subscriptions were made by each branch separately, the capital of each being \$160,000, of which the State took \$80,000 and private persons \$80,000. The earnings and dividends of each branch belonged to their own shareholders exclusively, but each branch was liable for the debts of every other branch. They were independent of each other in the matter of assets, but were united as to liabilities. This was the admirable keystone of the arch.

The president and four directors of the bank (the parent institution) were chosen by the State legislature to hold office for five years, and one director of the same was elected by each branch.

The kind of business to be done was defined in the law. It was the usual banking business, including the power to issue circulating notes. The only limit on the amount of circulating notes was embraced in a provision that the debts due to or from any branch (except deposits) should not be more than double the capital of that branch. Theoretically, therefore, each or every branch might have notes

outstanding to double the amount of its capital minus any debts it owed to other banks. An amendment was passed in 1836 allowing discounts to be made to the extent of two and one-half times the capital stock. They were not allowed to lend on mortgage security or to deal in real estate, except such as might come to them in the way of security for loans previously made; and in such cases they were required to offer it at public sale once each year.

In order to prevent the branch banks from falling under the control of individuals or cliques, it was provided that at elections of directors no person should cast more than 100 votes, however large his holdings might be. Holders of one to four shares might cast one vote for each share; four to thirty shares, one vote for every two shares; thirty to ninety shares, one vote for every four shares, and so on—a scheme of minority representation borrowed from the Massachusetts law of 1828. No branch could lend money on the security of its own stock. No officer or director could borrow on terms different from the public, nor could they endorse for each other, nor could they vote on questions where they were interested. On all applications for loans above \$500, a majority vote of five-sevenths of the board was necessary, and this must be entered on the minutes with the names of the directors so voting. Directors were individually liable for losses resulting from infraction of the law, unless they had voted against the same and caused their votes to be entered on the minutes, and had notified the Governor of the State of such infraction forthwith, and had published their dissent in the nearest newspaper. Any absent director should be deemed to have concurred in the action of the board, unless he should make his dissent known in like manner within six months.

Such were the leading features of this monumental bank. It continued until the expiration of its charter to be a great and beneficent financial institution, highly profitable to its shareholders and advantageous to the community. When the crash of 1837 came, it held Government deposits to the amount of \$1,500,000, all of which it paid in the usual course of business. The first instalment of this deposit (\$80,000 gold) was conveyed in a stage coach over the Alleghany Mountains to Washington City, by the late J. F. D. Lanier, of New York, who was then President of the Madison Branch Bank. When this money was delivered, the Secretary of the Treasury (Levi Woodbury) said to Mr. Lanier that his bank was the only one in the country holding Government deposits that had offered to pay any specie at all.* The bank was rechartered as the "Bank of the State of Indiana" in 1855. It was one of the few institutions that did not suspend specie payments in the panic of 1857. The State very properly ceased to be a shareholder when the first charter expired. Its participation was deemed necessary in the beginning to procure the requisite capital, but it wisely kept its own hands off the management. The State banks of Illinois and Kentucky, which were owned wholly by the States, and were managed by public officers, soon went to smash. That of Indiana paid into the State Treasury twelve to fourteen per cent. per annum in dividends, besides nearly doubling the original capital at the "round up." This money was turned into the State School Fund.†

* Memoir of J. F. D. Lanier, published by his family.

†Mr. Lucius B. Swift, of Indianapolis, has kindly made a search, at my instance, for the exact amount of surplus turned over by the branch banks to the State of Indiana. No record containing all this information was found, but a communication made by the State Bank under the date of January 7, 1859, reports the winding up of nine branches and gives a statement of the surplus returned to shareholders in addition to the annual dividends and the original capital stock, the par value of which was \$50 per share, viz.:

BRANCHES.	SURPLUS PER SHARE.
Lawrenceburgh.....	\$40.53.
Richmond.....	37.72.
New Albany.....	25.00.
Evansville.....	26.65.
Bedford.....	8.50.
Terre Haute.....	30.28.
La Fayette.....	27.00.
South Bend.....	40.11.
Michigan City.....	30.75.

A report of the Commissioners of the Sinking Fund, dated November 1, 1858, says that the State had

When the State of Indiana adopted a new constitution, in 1851, a clause was inserted prohibiting the State from becoming a shareholder in any bank or other corporation. Another clause authorized the Legislature to pass a general banking law, and a third clause provided that noteholders should be preferred creditors of failed banks.

STATE BANK OF OHIO.

The State Bank of Ohio had a different origin and was of later birth. It was made a part of a banking law of wide scope passed in 1845. It seems to have been modeled after the Indiana law, with a few differences. The State of Ohio had no pecuniary interest in it. There were a number of banks existing in the State when the law of 1845 was passed, and the law authorized the formation of others, but restricted the aggregate amount of capital to a fixed sum and appointed commissioners to parcel it out, as though banking were a necessary evil, like dynamite. The law provided that any number of banks, not less than seven then existing, or to be organized thereafter, might become branches of the State Bank of Ohio. The latter, like the State Bank of Indiana, was a mere Board of Control, and was so denominated in the law. The central and governing idea of this law was the security of the noteholders. Note issuing was proportioned to capital in the following manner: "Any branch might issue \$200,000 of notes for the first \$100,000 of capital; \$150,000 of notes for the second \$100,000 of capital; \$125,000 of notes for the third \$100,000 of capital; \$100,000 of notes for the fourth \$100,000 of capital, and \$75,000 of notes for each additional \$100,000 of capital. Each branch was required to deposit with the Board of Control ten per cent. of the amount of its circulating notes, either in specie or in bonds of the State of Ohio or of the United States, as a safety fund for the protection of the holders of notes of any or all the branches. The Board of Control might invest any money belonging to the safety fund in the bonds of Ohio or of the United States, or in mortgage on real estate in the county where the branch was situated, worth double the amount of the loan exclusive of buildings or other destructible property. Each branch was liable for the circulating notes, but not for the general debts of the other branches. In case of the failure of any branch to redeem its notes, the Board of Control was to make an assessment *pro rata* on the other branches, and reimburse them as soon as the assets in the safety fund could be disposed of; and then the safety fund was to be reimbursed out of the assets of the failed branch before any other creditors was paid. The State Bank of Ohio had thirty-six branches and was highly successful.

LOUISIANA BANK ACT OF 1842.

The State of Louisiana had her full share of bank misery in 1837 and later. Her banks suspended specie payments, and so remained until 1842. In that year the State passed a banking law which was, in nearly all respects, a model for other States and countries.

The principal features of this law were the requirements (1) of a specie reserve equal to one-third of all its liabilities to the public; (2) the other two-thirds of its liabilities to be represented by commercial paper having not more than ninety days to run; (3) all commercial paper to be paid at maturity; and if not paid, or if an extension were asked for, the account of the party to be closed and his name to be sent to the other bank as a delinquent; (4) all banks to be examined by a board of State officers quarterly or oftener; (5) bank directors to be individually liable for all loans or investments made in violation of the law, unless they could show that they had voted against the same if present; (6) no bank to have less than fifty

received up to that time a net profit, from its banking investment, of \$2,780,604.36 after deducting the interest paid on its bank bonds. There were still some branches which had not turned in their surplus and were not included in this statement. Mr. Lanier says that the State's net profit was about \$3,500,000.

I have considered it worth while to rescue this notable tribute to sound banking principles from the weltering mass of bank failures of the period covered, *i. e.*, 1834-1859.

shareholders, having at least thirty shares each ; (7) any director going out of the State for more than thirty days, or absenting himself from five successive meetings of the board, to be deemed to have resigned, and his vacancy to be filled at once ; (8) no bank to pay out any notes but its own ; (9) all banks to pay their balance to each other specie every Saturday, under penalty of being immediately put in liquidation ; (10) no bank to purchase its own shares or lend on its own shares more than thirty per cent. of the market value thereof.

This law had one feature which cannot be approved. It allowed some loans to be made on mortgage security, but it restricted such loans to the bank's capital. No part of the deposits could be lent except on commercial paper maturing within ninety days. I judge that not many mortgage loans were made by the Louisiana banks, since none of them suspended in the panic of 1857, although most of the banks of the country were temporarily closed by that catastrophe. Mortgage loans are all right in themselves, but they are no part of the banking business. I think that the Louisiana Bank Act of 1842 was eminently scientific. It was the first law passed by any State requiring a definite amount of specie to be kept as a reserve. The Louisiana law required no pledged security for the circulating notes of banks, nor did it put any limit on the amount of their issues. All this was covered, and amply covered, by requiring thirty-three per cent. of specie against all liabilities, whether deposits or notes, the balance of the assets to be in mercantile paper having not more than ninety days to run.

Under this law, Louisiana became in 1860 the fourth State in the Union in point of banking capital and the second in point of specie holdings. I think, however, that the requirement of a thirty-three per cent. reserve of coin (or, as we say now, of "lawful money" was excessive, and that the twenty-five per cent. in larger cities and fifteen per cent. in other places, required of national banks, is ample. It is a matter of history that the Louisiana Bank Act of 1842 was strictly and intelligently enforced until the city of New Orleans was captured during the civil war.

MASSACHUSETTS AND THE SUFFOLK BANK SYSTEM.

The Massachusetts Banking Law, as it existed before the war, consisted of two parts, the first part relating to chartered banks. This was one of the best banking laws ever produced. No individual could hold more than one-half the stock of any bank, no person could be a director of more than one bank, no person could be a director whose stock was pledged for debt. Neither the debts nor the credits of a bank could exceed twice the capital stock paid in, except for deposits and for debts to or from other banks. Directors were personally liable for violation of this clause unless they dissented or were absent, in which case they must notify the Bank Commissioners of the State forthwith. No bank could pay out any notes but its own, or issue any notes, directly or indirectly, except at its own banking-house, or issue any notes with the understanding that they should be kept out a certain length of time. No bank could make a loan repayable in anything except specie or its own notes. In case of bank failure the noteholders were to be paid first. Each bank was required to keep fifteen per cent. of specie as a reserve against both circulation and deposits, but country banks might reckon their balances in Boston banks payable on demand as specie. This specie-reserve clause was passed in 1858, after a hard struggle. It was copied from the Louisiana Act of 1842, but the amount of the specie-reserve was only one-half of that required in Louisiana.* When gold was paid out, it must be paid by weight. This was an old law of 1803 re-enacted at every revision of the banking laws down to and including 1860. There was a provision that if any new banks were chartered with greater privileges than those here enumerated, the same privileges should extend to all

*See *Bankers' Magazine*, November, 1877, page 351.

other banks. This proviso was inserted in the Act of 1828 and in every subsequent revision. The Act of 1828 provided that at elections for bank directors each stockholder should be entitled to one vote for the first share and to one vote for every two additional shares, provided that no person should have more than ten votes. This was re-enacted in the revision of 1835, but was dropped in the revision of 1860. The second part of the Massachusetts law was the free banking system. It was passed in 1851 and re-enacted in the revision of 1860, but as only seven banks were organized under it we need not dwell on its provisions.

The distinguishing feature of Massachusetts banking was the daily redemption of all New England bank notes that reached Boston. This redemption took place at the Suffolk Bank, and hence was called the Suffolk Bank system. It was a voluntary arrangement like a clearing-house. It began in 1825. The country banks resisted it at first, but they were forced into it by a systematic "run" on every one that did not come in and provide for the redemption of its notes at the financial centre. The Suffolk Bank system was facilitated by the provision of law that no bank could pay out any notes except its own, but it began before that law was passed. In this way the goodness of all circulating notes was subjected to a daily test.

It is important to observe that in each of the three systems we have examined, viz., the State Bank of Indiana and the Louisiana and Massachusetts laws, the governing principle was that the bank's assets should redeem its circulating notes. They rested upon the true theory that any system which takes diligent care of the assets will surely take care of the circulation, and they demonstrated in a long series of years by splendid results that such assurance is not beyond the reach of the State's administrative powers.

FREE BANKING LAW OF NEW YORK.

The next great step in the evolution of banking in the United States was what is called the free-bank system. Notwithstanding the praise that has been bestowed upon it, and notwithstanding its adoption as one feature of the National Banking Law, I think that it was a step backward and that it is destined to perish. It had its origin in the State of New York in 1838, although the State of Michigan had something resembling it a year earlier. Prior to that time bank charters in New York were a part of the spoils system of politics. Accustomed as we are to the spoils system of to-day, it sounds oddly to read that bank charters were granted by Whig and Democratic Legislatures only to their own partisans. Not only was this the common practice, but the shares in banks, or the rights to subscribe to them, were parceled out by political "bosses" in the several counties. Of course, corruption flourished in such a soil. The people became exasperated by the indecencies witnessed at Albany. A reaction in favor of equal rights was the natural consequence, and out of this came the Free-Banking Law of 1838. Under this law the Comptroller was authorized to issue circulating notes to any association organizing itself as a bank and depositing stocks of the United States, or of any State, or bonds secured by mortgage on real estate of a certain specified grade. The system had a bad start. Within five years after the law was passed twenty-nine banks that had organized under it failed, and the deposited securities realized only seventy-four cents on the dollar of the outstanding notes. This led to changes in the law by which all State bonds were ruled out except those of New York, and the mortgage securities were keyed up to a high pitch, but still not high enough. Under the present banking law of New York (revision of 1892) the security required for circulating notes consists of the bonds of the United States, or of the State of New York, or of any county or incorporated city in the State, or of mortgages on improved real property worth seventy-five per cent. more than the loan. Individual bankers can issue circulating notes on the same terms.

The free-banking system was adopted in Ohio in 1845, but did not flourish there, because it came in competition with the State Bank and branches that were started at the same time. It was adopted in Massachusetts in 1851, as has been remarked, but it gained no foothold there because it was really inferior to the Suffolk Bank system, which already held the ground.

FREE BANKING IN THE WEST.

The State of Illinois passed her Free-Banking Law in 1851. It was submitted to a vote of the people in November of that year and ratified. It provided that any number of persons might organize a bank, but that no bank should have a less capital than \$50,000. It did not require that a bank should have any directors. The bank's capital might consist wholly of bonds of States or the United States deposited with the State Auditor as security for its circulating notes. The auditor could deliver to the bank in circulating notes eighty per cent. of the market value of the securities. No examination of the affairs of the banks by public officers could be had except on the affidavit of the shareholders, and then only for the purpose of ascertaining the safety of the investments. A subsequent amendment provided for an annual examination by bank commissioners of the securities deposited against circulating notes. The banks were allowed to pay out the notes of any specie-paying banks of the United States or of Canada, no matter how remote.

These are all the essential provisions of the Free-Banking Law of Illinois as it existed before the war. You will observe that the only idea in the law is security for circulating notes. Each bank was a kind of slot machine. You dropped in a State bond and a lot of bank notes came out, and that was all the banking that was expected or contemplated in the law.

The Free-Banking Law of Indiana, passed May 28, 1852, was very similar to that of Illinois. The differences were, that in Indiana the auditor might issue circulating notes to the full amount (instead of eighty per cent.) of the securities deposited, and that each bank must have specie in its own vaults equal to twelve and one-half per cent. of its circulating notes.

The Free-Banking Law of Wisconsin, passed in 1853, was, perhaps, the worst of all. It did violence to banking principles in a variety of ways. It allowed the bank comptroller to issue circulating notes to the full amount of the bonds of States deposited with him by banks. It allowed the comptroller also to receive the first-mortgage bonds of any railroad in the State twenty miles long, or divisional mortgage bonds on sections of road of not less than forty miles, such road to be first inspected as to its physical condition by the governor, the attorney-general and the bank comptroller, or any two of them. On such securities eighty per cent. of circulating notes could be issued, and one-half of the securities of any bank might consist of railroad bonds of this description. Directors or stockholders were required to give their personal bonds to the extent of one-fourth of the amount of the circulating notes, as security against depreciation of the other securities. Except in this particular the shareholders were not liable beyond the amount of their capital invested. The banks might lend money on real estate security to any extent.

WILDCAT CURRENCY EXPERIENCE.

Most of these so-called free banks turned out to be bad when the first real test came. Out of ninety-four free banks in Indiana fifty-one had suspended even before the panic of 1857. The theory of their existence was that, if bank notes were secured by the pledge of marketable bonds or stocks lodged in the hands of a State officer, it was of no consequence what else the bank had or did not have. The idea that a bank's assets should redeem its notes did not enter into this scheme at all. Since there were examples of good banking present to the eyesight, like the State Bank of Indiana, we may reasonably ask why such a mistake was made. I can

only answer this question in one way. Banking made itself known to the great mass of the community only through failed bank notes. One failed bank of small calibre would make more impression on the public mind than a dozen others which never closed their doors. This is on the principle that one lost sheep gives its owner more concern than ninety-nine that go not astray. So the legislative mind, which generally follows the public mind, became exclusively fixed on security for bank notes, to the neglect of all other branches of the business.

In practice it was hardly necessary for the bank to have a place of business if its notes were secured, and I remember that in some instances where attempts were made in Illinois to present notes for redemption at the bank's counter no counter was found, but merely a hired room in some place remote from any railway station and situated on some bottomless prairie road. As the country banks had a decided advantage over the city banks in the way of nest-hiding, the latter resorted first to the device of not paying out their own notes at all, but borrowing those of Eastern banks instead. Facilities for travel were too good, however, in the East. The notes paid out in Illinois and Wisconsin went home to be converted into New York and Boston funds too rapidly. So the city bankers went to the State of Georgia and started a lot of subordinate banks there, with whose notes they flooded the Northwest from Chicago as a radiating point. None of these currency mints actually failed, but the rate of exchange on New York was measured by the cost of sending the notes to their several Georgia houses for redemption, which cost was at that time considerable.

The Western free banks for the most part went down in the crash of 1857, and again in that of 1861, and their securities being pressed on the market simultaneously sank to low figures, the notes falling even lower than the securities. Whatever may have been the design of the law-makers (and there is no reason for doubting that it was good), it turned out to be a mere scheme to enable speculators to sell bonds to the public, and continue to draw the interest themselves. It was possible under these laws for a man to borrow, say, \$100,000 of State bonds, deposit them with the auditor, receive from him circulating notes, buy wheat with these notes, send the wheat to New York, and sell it for money with which to buy more bonds to deposit with the auditor; and so round and round. This was actually done in some cases, and it was considered an effective way of procuring an adequate supply of money.

What would have happened if this supply had not existed? Why, of course, the wheat would have reached its market all the same, and would have been sold for good money, and this money would have gone to the wheat-producer, instead of the wild-cat and red-dog notes that the State auditor put his name and seal on, that were so handsome to look at, and that we were all so proud of in the beginning. I remember how independent we all felt when we had some of these triumphs of art in our pocket-books.

A process of essentially the same kind for furnishing a supply of money has been going on in this country during the past fourteen years. The Government has been issuing circulating notes of one kind and another on the basis of silver, and although some \$400,000,000 of these notes have been put in circulation, money is not a whit more plentiful than it was before. What would have happened if not a single silver note had been issued, or a single ounce of silver bought? Why, the products of the country would have been sold all the same, and in the absence of silver and silver notes we should have had gold and gold notes. But, says some one, there is not gold enough in the world. How do you know that? You, or the likes of you, said the same thing before we resumed specie payments. You said the same thing before Italy resumed. And now Austria-Hungary is preparing to resume, and largely with gold drawn from us. Simultaneously we hear (and I believe it is true) that Russia has stored away \$500,000,000 of gold. I have not the smallest doubt that Austria-Hungary will get all the gold she needs for this pur-

pose, and that there will still be some left. I know, too, that the ability of this country to draw gold from the world's stock exceeds that of Austria-Hungary and Russia combined, and that if we wanted more gold we could get it. The first step would be to repeal the present Silver Law. I doubt if anything else would be needed. Mr. Buckle, in his "History of Civilization," showed that the world's progress in the last hundred years had consisted chiefly in repealing bad laws. There is abundance of room left for that kind of progress in our own country.

THE "BANKING PRINCIPLE."

The State Bank of Indiana, the Louisiana and the Massachusetts banks were based upon what is known to economists as the "banking principle," the opposite, or counterpart, of which is called the "currency principle." The banking principle affirms that all trade is barter, that men would swap their goods and services directly, and without the use of money, if they could, but that since they cannot (owing to the complexity of human affairs), any machine which will do this swapping is a saving and a gain to mankind.

This is what a clearinghouse does on a large scale, and a bank on a smaller one. A, B and C and the rest of the alphabet deposit the money they get for their various industries and services in a bank, and then draw their checks for what they want to buy. This is the same as though they deposited their various goods in the bank and gave to each other orders for goods, payable in kind at the bank. There would be practical difficulties in making the division at the bank and in handling the goods, but the essential nature of the operation is not changed by bringing in another set of hands (namely, merchants) to transfer the goods and make the divisions. The fact is, that all trade is at bottom barter and swapping.

Now the issue and circulation of bank notes is only an extension of the bank-check system. It carries swapping by machinery one step further. The checks of an individual often circulate through three or four hands before they reach the bank for payment. The bank note is the cashier's check on the bank. These cashiers' checks circulate more widely than private checks, because the bank's credit is more widely known, and because they are of convenient form and size. They enable the community to make small exchanges, to do small swapping without the use of real money. Since real money is capital, they economize the use of capital.

THE "CURRENCY PRINCIPLE."

The currency principle proceeds upon a theory somewhat different. It assumes that a certain amount of paper notes will be wanted by the public at all times, will always be passing from hand to hand, and will never be presented for redemption. This assumption is based upon experience, and is much the same as assuming that a certain number of hats or pairs of trousers will always be wanted. This amount the Government itself will furnish. In England the bank issues this amount of notes, but it accounts to the Government for the profit over and above expenses, and a fair compensation for its own trouble. When the Bank Act was passed, the fiduciary issues of notes was fixed at £14,000,000. Upon this the bank was to make an annual payment of £120,000, besides paying all the expenses of the note issue and managing the public debt. It was provided also that on the discontinuance of the circulation of certain country banks then in existence the Bank of England should have the right to issue a corresponding amount of notes, paying a tax to the Government thereon, at the rate of two per cent. per annum. The net amount received by the Government from the bank last year was £162,716. The fiduciary issue is based on Government securities. If the community wants any more notes than the fiduciary issue (which is now about £15,500,000), it can have them by paying gold for them. But obviously this is the same as using the gold, since a note issued against five sovereigns is merely like a

gold certificate of deposit issued by our Treasury. True, there is no external mark to distinguish this Bank of England note from any one of the £15,500,000 issued against securities, but it is a very different thing in fact. The Bank of England is a perfect representative of the currency principle, and the Bank of France is a perfect representative of the banking principle.

THE TRUE PRINCIPLE.

The banking principle is the true one in theory. It is a labor-saving and capital-saving machine at the same time. It does for the lesser transactions of commerce what the bill of exchange and the clearing-house do for the greater ones, and in the same way substantially. It enables trade to be carried on to any extent within the limits of a single nation by a series of offsets. It is barter reduced to science. If there were no disturbing elements, it would gradually root out and supersede every other kind of apparatus for performing the exchanges of mankind. It would do this in the same way and for the same reason that a superior tool crowds out and supersedes an inferior one—as the friction match, for example, superseded the flint and tinder box. But there are disturbing elements. Bad and dishonest management of banks may be minimized, but cannot be prevented altogether. The currency principle has its *raison d'être*. It says that the first requisite of any bank-note system is the security of the noteholder, and that everything else should be subordinated to that. I agree to that proposition. Any system which does not make the noteholder secure is condemned at the start. But we have seen that the issue of notes against deposited securities did not save the noteholders from loss before the war, while careful and intelligent systems of banking like those of Louisiana, Massachusetts and the State banks of Indiana and Ohio did protect them fully. I consider note issuing against deposited securities erroneous in principle, because it uses up the bank's capital in procuring its notes, whereas, it ought to have this capital free at the outset for the discount of commercial paper.

Take an illustration. Suppose that a bank starts with \$100,000 of capital. Under the plan of deposited securities it must pay all this, and perhaps more, in order to get \$90,000 of notes to apply to the discount of commercial paper. The bank cannot know whether the parties whose paper is discounted will draw the money in the form of notes or will ask for drafts on some other city or will draw checks which will turn up at the clearing-house the next day. If the parties draw out the notes, these may come back as deposits the next day.

The notes are assets while the bank holds them, but they are liabilities when the public holds them. Each dollar has cost the bank \$1.10 and the notes will perform no function that the notes of the old State Bank of Indiana would not perform. Now, suppose that the noteholder could be made safe without the deposited security. Then the bank would have \$100,000 of free capital to start with, plus as many notes as the community would draw out and make use of. This amount of notes is all that it can put out, even when it buys them from the Government at \$1.10 each. Therefore, the \$100,000 of free capital is clear gain to the banking business. But, you say, the bank has the interest on the deposited bonds. Yes, that is what it gets out of a permanent investment, but banks are, or ought to be, organized for discounting short-time commercial paper, and not for long-time loans. If long-time loans are wanted in the banking business, which I respectfully deny, more money can be made by lending on mortgage than by lending to governments.

BANKING ON SECURITIES DOOMED.

I have said that I think that the system of note-issuing on deposited securities is destined to perish. Not only is it erroneous in that it absorbs the bank's capital before its doors are opened for business, but the only securities fit to be used for

this purpose are rapidly disappearing and will soon be gone. The note-issuing feature of the national bank system is moribund already. But the banking feature will not die, even if note-issuing comes to an end. It is so interwoven with the commerce of the country that it will stand, and necessarily stand, for an indefinitely long period with or without note issues. The note circulation of the national banks reached its maximum of three hundred and thirty-six millions in December, 1872. At that time the number of banks was 1940 and their capital four hundred and eighty-two millions. In September, 1891, the circulation had fallen to one hundred and thirty-one millions, while the number of banks had risen to 3677 and the capital to six hundred and seventy-seven millions. This proves that the system is beneficial and is approved by business interests, altogether apart from the note-issuing feature. The reason why is not far to seek. The public have more confidence in the machinery of governmental oversight and enforcement of law, under the national system, than they have under State systems, and this they will continue to have even though some State systems are as good or better. They know that the national system is uniform. It operates in the same way in Washington City and Washington State and everywhere between. When you know this law and the decision of the courts under it, you know all that is necessary. If you undertake to learn and keep track of the banking laws and decisions of forty-four States and Territories, you will find your task a heavy one. There is now a movement on foot to secure uniformity of law in the States, touching the marriage relation, wills, conveyances of land and some other things. As we actually have uniformity of law on the subject of banking, we had best keep it.

HOW TO PRESERVE THE NATIONAL SYSTEM.

Although note-issuing is not a necessary part of the business of banking, it is a vastly desirable part. As has been shown, it is a device for saving both labor and capital in effecting exchanges among men. Hence we may assume that it will sooner or later supplant the present costly method of supplying a currency by means of silver bullion. I think that the national bank note can be preserved and even improved, without bond security, by a slight change in the present law, viz.:

Out of the present tax on bank notes constitute a safety fund to be lodged in the treasury, the amount of it to be computed by actuaries, taking the national bank mortality of the past twenty-five years as a basis. After this sum is reached, let the tax go into the treasury of the United States, as it does now, as a part of the national revenue. Let the Government continue, as now, to be responsible for the notes, and let it retain, as now, a first lien on the assets of failed banks and on the liability of the shareholders.

I am assuming, of course, that *all* the provisions of the existing law except bond security are retained and enforced, so that the ratio of bank mortality shall not increase. The report of the comptroller of the currency for 1891 shows that there have been 164 national bank failures since the system first went into operation. The total amount of circulating notes of these banks outstanding at the time of the failure was \$16,209,160. It would take no very long time to collect this whole sum out of the tax on national bank notes, but of course, only a small part of this would be wanted at any one time. This sixteen millions of failed bank notes was all that the whirligig of time brought in from April 14, 1865, to October 14, 1891, twenty-six and a half years. Probably a safety fund, beginning with \$5,000,000, and replenished from time to time out of the proceeds of the tax, would be ample. But suppose it were not. We would still have a first lien on the assets. The assets of these 164 failed banks realized \$44,606,561, or nearly three times the amount of their circulating notes. I think it would be entirely safe for the Government to continue its responsibility for the notes on these conditions. We must bear in mind that almost all the banks are sound, and honestly managed.

the proportion of bad ones to good ones being as 164 to 3,677, or less than five per cent.*

Would the privilege of note-issuing without bond security tend to an increase of bank failures? Would rascals take advantage of the new facilities for note-issuing in order to swindle the public? This is an important question. We have been so accustomed to bond security for bank notes that we have lost sight of some other requirements of the law, of equal or greater importance. One of these is that every bank must have a paid-up capital, and that every shareholder shall be liable for as much more as he has paid in. Moreover, if any bank's capital is impaired at any time, it must be made good. The bona-fide existence of the original capital and the restoration of it, if impaired, are secured by examinations by public officers. Moreover, no bank can issue notes in excess of ninety per cent. of its paid-in capital. Moreover, every bank must have a sum equal to five per cent. of its outstanding notes on deposit at Washington for current redemption purposes. All these provisions are in the way of protection to the note-holder, and they are solid provisions too.

We can now answer the question whether the suggested change in the national banking act will serve as an incentive to deliberate swindling, and thus increase the amount of bank mortality over and above the experience of the past twenty-six years, which we have seen is less than five per cent. I think that five per cent. of failed bank notes can always be provided for out of the proposed safety fund, without trenching upon the assets of the bank or the added liability of the shareholders, although I would retain the first lien on the same which the Government now holds for this purpose. I do not believe that people are deliberately going to risk 100 per cent. of their own capital in order to have the chance of cheating to the extent of ninety per cent. of it, and running the risk of the State prison besides. This answers the question whether the suggested change in the law will serve as an incentive to deliberate swindling, or not. I think that the law will be enforced

* Since the foregoing was written, more precise data have been supplied in a speech made by the Hon. A. B. Hepburn, ex-comptroller of the currency, from figures supplied by Mr. Eckels, the present comptroller, as follows :

"Now let us examine our own experience since the creation of the National banking system. I am indebted to Comptroller Eckels for the following figures :

Average annual circulation of National banks, 1864 to 1894.....	\$282,801,252
Outstanding circulation of failed National banks.....	17,819,541
Cost of the general government on account of National banks as shown by the books of this office.....	\$7,610,169
Additional estimated cost	7,732,914
	<hr/>
Tax of 1-4 of 1 per cent. for 31 years.....	15,343,087
Tax of 1-5 of 1 per cent. for 31 years.....	21,917,093
	17,533,674

"In regard to which he says in reply to my letter :

"These figures verify your conclusions to the effect that a tax on outstanding circulation of one-fifth of one per cent. would have repaid the cost of the National banks to the general government, and also that a tax of one-fourth of one per cent. would have redeemed the notes of all failed National banks,—in fact, a tax of two-fifths of one per cent. would have been ample to meet both the cost of that system and the redemption of the notes of failed National banks."

(Signed) JAMES H. ECKELS, Comptroller.

"If an annual tax of two-fifths of one per cent. would suffice to defray all expense and redeem every note of every failed bank for the past thirty-one years, a five per cent. guarantee fund is certainly ample to protect the government against loss in guaranteeing the redemption of notes under the proposed law. But as further evidence let me read the following letter from Comptroller Eckels :

'SEPTEMBER 27th, 1894.

"In further answer to your letter of September 13, you are respectfully advised that the loss to the general government on account of circulation of failed National banks, up to January 1st, 1894, had there been no bond deposit, would have been \$1,119,253. Of this amount \$958,247 represents the loss by banks whose trusts are still open and may pay further dividends, thus reducing the amount last named. The tables showing the full amount of dividends paid by all failed National banks are not yet completed, but an examination of the accounts of each trust develops the fact that there would have been no loss on circulation other than above indicated. This statement applies to all failures down to January 1, 1894.

(Signed) JAMES H. ECKELS, Comptroller.'

"Under present laws the government is bound to redeem all notes of all failed banks, and is given a prior lien upon the assets of the failed banks to reimburse such payment. With this law in force and without bonds to secure circulation, the government would, during this thirty-one years, have lost not exceeding \$1,139,253. An annual tax of three-hundredths of one per cent., upon circulation, would have covered this loss. Surely, a five per cent. guarantee fund will make the notes proposed in this plan perfectly secure."

as well and as thoroughly in the future as it has been in the past, probably more so, since each bank failure teaches the comptroller's office some lesson. We ought not to stand shivering over the approaching wreck of the national bank-note system. Those who think that it ought to be preserved should be willing to try some experiments. This world is not made up principally of cheats and rascals. The preponderance of honest and capable men in the banking business, as we can prove, is more than ninety-five per cent. But if worst comes to worst—if bank mortality should increase under the proposed change—Congress is always at hand to make needed amendments to the law. Wisdom will not die with us.

THE SAFETY-FUND PRINCIPLE.

The safety-fund principle is no new one in our history. It was adopted in New York as long ago as 1829. Each bank was required by law to pay to the State Treasurer one-half per cent. on its stock until three per cent. is accumulated. By some mistake or accident in framing the law, the safety-fund was made applicable to the payment of all the debts of failed banks instead of the circulating notes only. The preliminary discussion shows that the intention was to protect the noteholders only. The contributions to the fund began in 1831. In 1835 the number of safety-fund banks was seventy-six, with a circulation of \$14,000,000. The amount in the safety fund was \$400,000. During the first twelve years of its operation no safety-fund bank failed, and the fund was not drawn upon, for although the panic of 1837 had supervened, the suspension of specie payments was legalized for one year, at the end of which time all the banks resumed. In 1841 six safety fund banks failed, there being ninety contributing banks at that time and \$841,000 in the fund. Then the mistake of making the fund applicable to all the liabilities of the failed banks, instead of confining it to circulating notes, was discovered. Litigation and injunctions, delay and consequent depreciation of notes followed, which we have not time to recapitulate. They have been carefully compiled by the late John Jay Knox.* The upshot is that if the safety-fund had been applicable only to the circulating notes, it would have redeemed every failed bank note during the twenty-five years that the system lasted. Millard Fillmore, who was comptroller of the State in 1848, gives, in his report of that year, the exact figures up to that time. He shows that the contributions to the safety-fund had been \$1,876,063 and the notes of the failed banks \$1,548,558, leaving a surplus of \$327,505 as against circulation. *This is perhaps the most pregnant fact in the history of banking in this country.* The safety-fund system and the bond-security system ran side by side with each other in New York for nearly a quarter of a century, with comparative results decidedly in favor of the former. Comptroller Flagg, in his report for the year 1846, says: "In the security of the public under each system, our experience in the failure of ten safety-fund banks, and about three times as many of free banks, proves that the contributions of one-half of one per cent. annually on the capital of the safety-fund banks have thus far afforded as much protection as the deposit with the comptroller by the free banks of a sum nominally equal to all the bills issued by them. It will be seen by reference to a statement under the head of insolvent free banks, that the loss to billholders, on the supposition that all the securities had been stocks of this State, and bonds and mortgages, would have been over sixteen per cent., while the actual loss has been nearly thirty-nine per cent." The constitution of New York, adopted in 1846, makes noteholders preferred creditors of all failed banks. It may be remarked here that this preference of the claims of noteholders upon the assets of failed banks has become an axiom in banking law and science, and is no longer called in question.

The late Mr. Knox, whose authority is far greater than mine on any banking

* See *Rhodes' Journal of Banking*, April, 1892.

question, argued in his report as comptroller of the currency for 1882, against the safety-fund plan and all other plans for keeping the national bank note system alive without bond security. I mention this lest I may seem to have overlooked it. Mr. Knox changed his mind on this subject completely a few years before his death, as he told me and others.

It is proper, nevertheless, to notice one of the arguments in his 1882 report, viz.: That although the assets of failed banks when taken together are ample to reimburse the Government for the redemption of failed bank notes, yet some bank failures are worse than others, and some of them would leave hardly anything in the way of assets. Of course, we could not make good the deficit of one bank with the excess of others. The State of New York once had a similar difficulty to deal with. When she discovered that the blundering legislation of 1829 had left a shortage in the safety-fund, she made it good by an issue of her own bonds and reimbursed herself out of the safety-fund when subsequently replenished. The National Government could do the same, and having the taxing power always in hand would not need to wait long for reimbursement. For Mr. Knox's later views, see an officially published "Interview between the Committee on Banking and Currency of the House of Representatives and John Jay Knox, on the 16th day of January, 1890," page 14.

The comptroller of the currency in his last report recommends an extension of the present bonded debt of the United States for twenty, thirty and forty years beyond its present term at two per cent. interest for the purpose of continuing the national bank notes. There are serious objections to this plan from political and economical points of view, but an equally serious one from the banking point of view is that it is inadequate. If carried out, it would leave the banks just where they are now. There is no profit in banking on a two per cent. bond. The present marasmus would be continued indefinitely. We hope for something better. We ought to strive for a system that will be really elastic and responsive to the wants of trade. The present system is as stiff as a ram's horn and almost as crooked. One popular argument brought against the national banking system is that in order to get \$90 of circulation we must first withdraw \$100 from the community. This is a valid criticism as regards the localities not provided, or inadequately provided, with banks.

An objection may be raised in reference to the source of the proposed safety fund. This source is the present tax on national bank notes. It may be said, on the one hand, that this is a part of the national revenue and that it cannot be spared, and on the other hand, that if it can be spared it ought to be repealed. In answer to the latter objection I venture to say that this tax never will be repealed until some way is found to carry on government without revenue. Moreover it ought not to be repealed. As regards the Government's need of this particular item of revenue: The tax for the fiscal year 1891 amounted to \$1,216,104—a very small amount in the sum total of Government receipts, but I agree that at the present time the treasury needs to look after its sixpences. This tax is one per cent. per annum on circulation. If the requirement of low interest bond security were relaxed, the tax might be doubled without harm or injustice. We have seen that the Government of England exacts two per cent. interest or tax from the bank on all fiduciary note issues over and above the original £14,000,000. But if such a tax should be really oppressive under the new conditions, the excess would be remitted as soon as the safety fund had reached the required limit.

— I should consider it indispensable that the Government should continue to be, as it is now, responsible for the note issues. I think that any government, National or State, should be responsible for everything that it allows to circulate as money. A right step in this regard was taken in the Silver-Purchase Act of July 14, 1890, which makes the Government responsible for the redemption of the silver notes in gold. True, this act is only declaratory of the policy of the United

States, but it is mandatory upon any honest secretary of the treasury, and I venture to say will never be departed from.

BANK-NOTE INFLATION.

The question may be asked, what is to be the limit to national bank notes issued in this way? At present the limit is fixed by the deposited securities. What guarantee shall we have against currency inflation, if currency can be had on such cheap terms? The answer is that the law now limits the circulation of banks to ninety per cent. of the paid in capital of the smaller ones, and to eighty, seventy-five and sixty per cent. of the larger ones. We do not propose to alter that, although we have seen that the State Bank of Indiana was allowed to issue notes to the amount of double its capital, and the banks of Louisiana could issue without any limit at all, and that these institutions were almost the only ones in the country that did not suspend in the panic of 1857. There is hardly time to go into an argument to show that there can be no such thing, under modern conditions, as bank-note inflation on a gold basis. I might quote many authorities on this point, but I will refer you to the latest treatise on banking, and one of the best I am acquainted with—that of Professor Dunbar. This author shows in simple language, and with illustrations that anybody can understand, that a bank is powerless either to put out notes or to keep them out. That power resides exclusively in the hands of those who hold checks on the bank and have the right to draw money from it. What is called bank-note inflation is a consequence and not a cause of general inflation. You all remember, doubtless, the commercial crisis of 1873, and if you do, you remember that the requirement of bond security for bank notes did not prevent it from being one of the most disastrous panics in our history.

CONCLUSION.

If the plan here sketched, or something like it, should be adopted, there would be no need of State bank notes, since every facility that a State could grant for the issue of a sound and safe currency would be granted by the National Government. I take it that nobody is in favor of an unsound or unsafe currency. I feel sure that any political party which fathers an unsound or unsafe currency will be severely dealt with at the polls. I know that there is a deep-seated prejudice against national banks, but that prejudice grows out of a belief that the banks draw interest on the bonds and on the notes at the same time, and thus make a double profit. It cannot exist if there are no bonds there, but if, in place thereof, each bank is required to contribute to a safety fund. Probably such a measure would put an end to silver purchases, since there could no longer be any apprehension or pretence of a shortage of currency. The danger of free coinage of silver has, in my judgment, passed away, notwithstanding some mutterings on the horizon, leaving nothing but the Purchase Act as a disturbing element.

In conclusion, gentlemen, I remark that *you have got to do something*. Time is running on. The national-bank system is running out, and nothing is taking its place. Every instructed person knows that governments have no facilities for furnishing money to their people, and ought never to do such a thing, and never can do so without producing mischief. All the financial heresies of the past quarter of a century have had their origin in the Legal Tender Act of 1862. This has been the parent of an unnumbered progeny of wrong ideas. To give a history of all the bad monetary conceits that have been enacted into law, or are waiting to be enacted, or have been killed or temporarily stunned during the past quarter of a century, would take more time than we have at our disposal. The largest part of my work as a journalist during that period has consisted in clubbing financial heresies which have had their root in the Legal Tender Act, and would otherwise never have existed.

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THE LESSON OF EXPERIENCE.

BEFORE TAKING.

*"The general assembly may incorporate one banking company, and no more, to be in operation at one time. * * The capital stock of the bank to be incorporated shall never exceed \$5,000,000, at least one-half of which shall be reserved for the use of the State."*—CONSTITUTION OF MISSOURI, 1820.

*"One State bank may be established, with such number of branches as the general assembly may, from time to time, deem expedient. * * At least two-fifths of the capital stock shall be reserved for the State."*—CONSTITUTION OF ALABAMA, 1819.

"The general assembly may incorporate one State bank, with such amount of capital as may be deemed necessary, and such number of branches as may be required for the public convenience, which shall become the repository of the funds belonging to or under the control of the State; and shall be required to loan them out throughout the State, and in each county in proportion to representation."—CONSTITUTION OF ARKANSAS, 1836.

"No bank shall be incorporated by the legislature without the reservation of a right to subscribe for, in behalf of the State, at least one-fourth part of the capital stock thereof, and the appointment of a proportion of the directors equal to the stock subscribed for."—CONSTITUTION OF MISSISSIPPI, 1817.

AFTER TAKING.

"No State bank shall hereafter be created, nor shall the State own or be liable for any stock in any corporation or joint-stock company, or association for banking purposes now created, or hereafter to be created."—CONSTITUTION OF MISSOURI, 1875.

"The State shall not be a stockholder in any bank, nor shall the credit of the State ever be given or loaned to any banking company, or association, or corporation."—CONSTITUTION OF ALABAMA, 1867.

"No bank or banking institution shall be hereafter incorporated or established in this State."—CONSTITUTIONAL AMENDMENT OF 1846.

"Neither the State nor any city, county, town, or other municipality in this State shall ever loan its credit for any purpose whatever."—CONSTITUTION OF ARKANSAS, 1874.

"The credit of the State shall not be pledged or loaned in aid of any person, association, or corporation; nor shall the State hereafter become a stockholder in any corporation or association."—CONSTITUTION OF MISSISSIPPI, 1868.

STATES AS BANKERS.

L. CARROLL ROOT.

	PAGE
CLASSES INSTITUTIONS COMPRISED	222
COLONIAL EXAMPLES	222
STATE EXPERIENCE	223
VERMONT, 1806-1812	223
KENTUCKY, 1806-1877	225
DELAWARE, 1807-1895	228
NORTH CAROLINA, 1810-1859	228
SOUTH CAROLINA, 1812-1870	230
INDIANA, 1814-1857	231
MISSISSIPPI, 1818-1842	232
ILLINOIS, 1819-1843	233
TENNESSEE, 1820-1866	236
ALABAMA, 1820-1845	238
LOUISIANA, 1818-1842	240
GEORGIA, 1815-1856	241
FLORIDA, 1833-1845	243
ARKANSAS, 1837-1843	245
MISSOURI, 1821-1856	249
COMPARISON SYSTEMS AND SPECIAL FEATURES	250
STATUS WHEN NATIONAL BANKING SYSTEM INAUGURATED	251

STATES AS BANKERS.*

CLASSES OF INSTITUTIONS COMPRISED.

It is intended in this sketch to describe not the general classes of banks which in recent discussions have ordinarily been termed "State Banks," but only those in which the State was interested either as the principal stockholder, or through having a part in their management, or those which, acting as the fiscal agent of the State, were given so much prestige as to be considered State institutions, when contrasted with other banks less favored.

It is evident that no hard and fast line of classification can be drawn. Doubtless some of the institutions here included might very properly have been left for description elsewhere; and on the other hand, there are other institutions in which the interest of the State was such that they might not improperly have been included. Interesting as may be the question of State investments in banking corporations, such investments alone, where not sufficient to cause the State interests to dominate the control of the bank, have not been considered as sufficient to warrant mention here.

COLONIAL EXAMPLES.

The few instances here given of the connections of the colonies with the business of banking among their citizens are interesting as being the forerunners of the later State institutions which are hereafter described; and if they seem to partake more of the nature of issues of fiat currency than of banking, it must be remembered, first, that they are in fact merely the few instances of such issues in the various colonies which were placed upon a banking basis; and second, that banking as such had then hardly made an impression upon the business world.

It must not be understood that the instances here cited are intended as a summary of the issues of paper money by the colonies. Several of the others issued paper money at different times, and several of the colonies named below issued currency on other occasions than those cited here. But the operations to which attention is here directed are those which partook of the nature of banking, the notes being loaned out in various ways within the colony—chiefly upon landed security—and not used, as in other cases, to defray the expenses of the colonial governments.

Massachusetts in 1714 issued £50,000 in bills, which were put in the hands of five trustees and loaned out in sums of from £50 to £500, "at five per cent. on safe mortgages on real estate, one-fifth part of the principal payable each year." Though the period of the loans was thus restricted to five years, they seem to have been renewable, and some of them were out over thirty years. The income was to be used to meet public expenses. This loan was authorized for the purpose of frustrating "a scheme for establishing a fund or bank of credit upon a land security" at that time projected by individuals in the colony.

An additional loan of £100,000 was ordered in 1716. "This amount was committed to the care of county Trustees; was proportioned to each county according to its tax; secured by mortgaged estates of double the value of the sum borrowed, each loan not exceeding £500 nor under £25, for ten years at five per cent., paid annually. The profits to help pay for the expenses of government, and the bills to be returned at the end of this period and burnt. Frequent litigations subsequently arose in the settlement of the mortgages for this money. A speedy result of this emission was to depreciate the paper currency by raising silver to 12s. the oz."†

In 1721 a further issue of £50,000 upon practically the same terms was loaned out.

Rhode Island. In 1715 there was emitted what was called the First Bank of £40,000. The bills were issued by the colony and loaned out to inhabitants at 5 per cent. interest, for a period of ten years, on real estate security. In May, 1721, a second bank of £40,000 was issued and loaned out like the first, except that the period of the loan was but five years, which was afterwards extended to thirteen years. Other banks continued to be issued from time to time,

* The writer acknowledges special indebtedness to the following sources, of which free use has been made in the preparation of this pamphlet:

J. J. Knox, History of Banking in the United States, in *Rhodes' Journal of Banking*, 1892.

R. T. Durrett, Early Banking in Kentucky, in *Proceedings of Kentucky Bankers' Association*, 1892.

Lyman J. Gage, Banks and Banking in Illinois, in *World's Congress of Bankers and Financiers*, 1893.

J. H. Fitts, Sketch of the State Bank of Alabama, in *Proceedings of Alabama Bankers' Association*, 1891.

Geo. B. Reed, Sketch of the Early History of Banking in Vermont, 1879.

† Felt: Early Massachusetts Currency, 1839, p. 70.

in addition to which there were occasional issues for the relief of the treasury which were not loaned out as were the "banks."

Pennsylvania in 1723, issued 15,000 pounds, which was loaned out at five per cent. upon landed security or upon plate deposited in the loan office; the bills were made a legal tender, and their gradual reduction provided for by enacting that one-eighth of the principal as well as the whole of the interest should be paid annually. They seem to have maintained their value much better than the most of the colonial issues.

New Jersey. Here may be found instances of the "loan banks" issued on the pattern of Rhode Island and Pennsylvania.

Georgia also, between 1755 and 1760 issued a small amount of circulation under the loan bank scheme. In 1760, and even as late as 1786, further issues of the same kind were authorized.

South Carolina, in order to defray the expenses of an expedition against the Tuscaroras, and to accommodate domestic trade, in 1712 established a public Bank, and issued £48,000 in bills of credit called Bank bills, to be lent out on interest on landed and personal security, and to be sunk gradually at the rate of £4,000 a year. Soon after the emission of these Bank bills the rate of exchange and the price of produce rose, advancing in the first year to 150, and in the second year to 200 per cent. In 1736 a further emission of £210,000, to be loaned at 8 per cent., took place. By 1740 exchange on London had risen to 800:100.

STATE EXPERIENCE.

VERMONT.

In 1806, after repeated unsuccessful attempts on the part of individuals to secure the incorporation of a bank, the Legislature (for the purpose of superseding private applications and, as was supposed, securing to the State the whole *profits* of banking) created the Vermont State Bank, with one branch at Woodstock and another at Middlebury. The first section enacts that "all the stock in said bank, and all the profits arising therefrom, shall be the property of this State, and be under the sole direction and disposal of the Legislature of this State forever." The bank was to be managed by 13 directors chosen by the Legislature—six on each side of the mountain—attached to the branch in their respective sections—and one at large. The directors chose from among their number the president, who signed all the bills and was *ex officio* a director of each branch.

Discretionary power was given to the branches to borrow money, each on its own credit, but at an interest not exceeding six per cent.; and no bills were to be issued at either branch in excess of the specie on hand until that should amount at such branch to \$25,000; after which it was authorized to issue not exceeding three times the amount of specie until it amounted to \$300,000. The treasurer of the State advanced about \$500 to buy plates and paper, which seems to have been the extent of the actual capitalization of the institution. The manner in which the bank went into operation seems to have been by exchanges of specie for notes, dollar for dollar, made by prospective borrowers until the required \$25,000 specie was obtained, and then loans were made in the bills of the bank to those persons—in several instances with the understanding that the borrower should keep in bank or market a fund sufficient for the redemption of the bills taken by him.

In their first report to the Legislature, in 1807, the Directors state that they commenced the issue of bills in February, and by Sept. 30th there was due the bank \$139,757.23. The bills were of the denominations of 50c, 75c, \$1.00, \$1.25, \$1.50, \$1.75, \$2.00 and \$5.00. This report closes with the following: "The obstacles which were inseparable from an institution established on principles hitherto unattempted in the banking system have been happily surmounted and the practicability of those principles established. The high credit and extensive circulation of our bills, we trust, are sufficient to inspire the public confidence, and to insure a continuance of their patronage. Under the fostering care of the Legislature, we are induced to believe that this institution may become highly conducive to the convenience of the citizens, and a productive source of revenue to the State."

○ The scheme worked so well at the outset that in 1807 two other branches were established—one at Burlington and the other at Westminster—and three of the directors assigned to each. To give confidence to the holders of the bills, the treasurer was directed to deposit in the branches all the funds of the State, which, in fact, consisted almost exclusively of the annual taxes for the support of the State government; and provision was made that if any person recovered judgment against the bank, the court rendering the same was empowered to draw for the amount, in favor of the plaintiff, on the State treasury. By these enactments the credit of the State became fully pledged for the redemption of the bills of the bank,

which seem to have had about the same freedom of circulation as the notes of other incorporated banks in the interior of New England. But having in other respects no real capital, it was soon found that the bank was in danger of suffering from the want of punctuality on the part of debtors, and the slow process of collections in the ordinary course of law; to remedy which, in 1809, the cashiers were virtually constituted a court of record and authorized to enter up judgment summarily and issue execution on all debts due more than *three days* to their respective branches.

In 1810 the State government found further cause for alarm, and restricted the loans to twice the amount of specie on hand, and in no case to exceed \$1,000 to any one person or company; and the directors were ordered to report the names of all delinquent debtors, and publish in the newspapers the names of such as were in default more than eight months. The bills were also made a legal tender for taxes and in redemption of property sold for non-payment of taxes. All this availed nothing, however; neighboring banks were failing, or fast becoming bankrupt; and in 1811 the Assembly prohibited the reception of the bills of other banks in payments to the State, and appointed a committee to inspect the condition of the State bank, which was evidently in a fair way to follow the foreign banks into a state of insolvency. One of the branches had already been closed.

In 1812 a land tax was assessed upon the State of one cent per acre for the purpose of raising funds with which to redeem the bills of the bank, the affairs of which were then closed as speedily as possible. The amount of loss to the State treasury was never definitely ascertained. All other creditors of the bank were paid in full. About \$230,000 of the bills received by the treasurer of the State were never redeemed by the bank—viz.: \$130,000 received in payment of taxes prior to the imposition of the land tax, and about \$100,000 raised by the land tax for the redemption of such as were then outstanding. The assets of the bank were reported as being available for about \$30,000; but whether more or less was realized is not apparent. Accepting this estimate, it would seem that the State lost about \$200,000 on the venture.

From the following statements of the condition of the bank upon different dates, much can be gathered as to the gradual winding up of the institution: *

OCTOBER, 1808.

Notes discounted	\$429,893 89	Bills in circulation.....	\$548,305 75
State orders, accounts and receipts.....	70,235 99	Checks, etc., outstanding	49,227 84
Coin, U. S. bills, and deposited in Boston	187,592 12	Due the State Treasurer.....	79,016 97
		Profits	11,171 44
	\$687,722 00		\$687,722 00

Up to September 30, 1809, bills to the amount of \$760,825.50 had been issued, of which \$404,599.75 were still in circulation. The profits at that time amounted to \$22,412.48.

1810.

Notes discounted.....	\$290,464 55	Bills in circulation.....	\$211,831 00
Bills of other branches.....	12,425 75	Checks outstanding.....	57,537 93
Specie	2,496 14	Contingent expenses.....	2,951 32
	\$305,386 44	Profits	33,066 19
			\$305,386 44

1811.

Notes discounted	\$145,313 21	Bills in circulation.....	\$94,932 40
Land taken on execution.....	9,550 14	Checks outstanding	26,939 40
Specie	3,016 24	Profits	44,769 11
Bills of other branches, etc.....	8,731 42		\$166,641 01
	\$166,641 01		

1812.

Notes discounted	\$95,418 80	Bills in circulation.....	\$78,431 75
Lands taken on execution..	11,062 20	Bank checks outstanding	30,465 70
Bills of other branches	7,753 75		\$108,897 45
Specie	6,904 30	Received in discounts, interest and prem- iums from the first.....	66,592 57
State orders.....	227 66		\$175,490 02
	\$121,366 71		
Bills of broken banks.....	\$3,052 00		
Expenses from the first	27,176 80		
Paid interest on deposits ..	10,214 12		
Unaccounted for.....	13,680 39		
	\$54,123 31		
	\$175,490 02		

1813.

Bank committee reported that on October 11th there were bills of the bank unredeemed outstanding amounting to \$66,522.25; of which sum the State treasurer

* Geo. B. Reed: *Sketch of the Early History of Banking in Vermont*, 1879.

held nearly half. The specie and current bills on hand in the bank at the same time amounted to \$2,671.07.

1814.

Bills in circulation.....		\$58,680 00
Bank checks outstanding (supposed).....		4,500 00
		<hr/>
Of which sum the State Treasurer had on deposit in bills	\$39,255 25	\$63,180 00
And in checks	3,300 00	42,555 25
		<hr/>
Outstanding		\$20,624 75
The property belonging to the bank, consisting of bonds and debts due, amounted to		\$77,550 00

1822.

The property of the bank in 1822 consisted of :

Lands and farms in several towns of the State taken on execution, at.....	\$21,685 00
Notes	9,263 94
Notes doubtful and bad.....	9,161 43
	<hr/>
	\$40,110 37

The State had redeemed all of the outstanding bills and checks of the bank, receiving them in payment for taxes. The affairs of the bank were not all settled up until about the year 1845.

KENTUCKY.

The second State which really ventured so far into the field now under discussion as to inaugurate under its own auspices a fully equipped banking institution was Kentucky.

For ten years after the admission of Kentucky into the Union, there was nothing within its limits that would answer to the name of banking. In 1802, however, a charter was granted to the Kentucky Insurance Company which carried with it the right to issue notes payable to bearer. The company did a large and very profitable banking business, the success of which led four years later to the favorable reception by the Legislature of a proposition to charter a bank, professedly such. The result was the incorporation of the first or old Bank of Kentucky, December 27, 1806.

"The capital stock was fixed at \$1,000,000, of which one-half was reserved for the State. The State also had the right to name the president and six of the twelve directors who were to manage the bank; the right was reserved to the Legislature to increase the number of directors from twelve to twenty-four, so that in case of refractory members they could be outvoted by pliant minions installed in behalf of the State. In this reserved power of the State over the bank were the seeds of its ruin. The bank was made a political rather than a financial institution, and for this reason more than any other failed in the end. At almost every session of the Legislature after the original charter there were acts concerning the bank, and most of them were hurtful instead of beneficial. Acts were constantly passed authorizing the bank to do or not to do what was forbidden or authorized by the terms of its original charter.

"In 1808 an act authorized the bank to pay all warrants of the auditor that he had not funds to pay, and to pay them in specie, thus discriminating against the notes of the bank, and in favor of specie, when the State had agreed to take the notes of the bank for all dues. In 1815, when the bank had been driven to the suspension of specie payments in common with other banks in the country, the Legislature increased its capital stock to \$3,000,000, and authorized the county seminaries to sell their educational lands and invest the proceeds in the stock of the suspended bank. In 1817 the Legislature legalized an agreement between the mother bank and its thirteen branches to the effect that neither was to be bound to take the notes of the other, and thus made it appear that the State was inducing its citizens to take the notes of banks that would not take each other's notes. In 1819 the charter was extended to 1841; but again, in 1820, it was reduced to 1829, and finally, in 1822, repealed.

"If the old Bank of Kentucky had been left to itself and not been presided over by the Legislature, there can be little doubt that it would have been a success instead of a failure. It had thirteen branches in the State, and they were so distributed as to have been of great advantage if properly managed. The capital stock of the mother bank at Frankfort, and of its thirteen branches, amounted to \$2,726,100. Of this the State held \$586,400, and individuals \$2,139,700. The aggregate capital of the thirteen branches was \$1,955,198, and that of the mother bank

\$770,902. After the repeal of its charter in 1822 the Legislature extended enough of its franchise from time to time to enable it to wind up its affairs." *

In January, 1835, there were still \$31,070.89 of the notes of the old Bank of Kentucky reported as "in circulation, or lost or destroyed;" but the president adds "not more than ten per cent. of which it is confidently believed will ever be presented for payment."

In 1817-18 the feeling against permitting this institution to continue longer to enjoy its monopoly took tangible form, and forty-six independent banks were chartered, with an aggregate capital of \$8,270,000, their bills being redeemable in those of the Bank of Kentucky or of the Bank of the United States, as well as in specie. They were allowed to issue these demand notes to an amount over and above the specie in their vaults equal to three times their capital stock less their debts. These charters were issued January 26, 1818, but in November of the same year a pressure for specie on the part of the Bank of the United States caused them all, as well as the Bank of Kentucky, to suspend—though the last named bank resumed on December 10th of the same year. The directors of the newly created banks were, it is said, men destitute of experience or knowledge of financial affairs, and in some instances devoid of commercial honesty. During the summer of 1818 the State had been flooded with their paper, and the action of the Bank of the United States, rendered necessary by its own instinct of self-preservation, in calling in its loans and presenting bills for redemption in specie, gave the impulse which caused these banks to collapse like bubbles, carrying with them the speculations based upon their loans.†

But even before the final repeal of the charter of the Bank of Kentucky, the Legislature, November 29, 1820, chartered for a period of 20 years the Bank of the Commonwealth of Kentucky, with a capital stock of \$2,000,000. A supplemental act, December 22, 1820, authorized the bank to issue circulating notes to the amount of \$3,000,000. The public faith was pledged for the redemption of its circulation and certain lands south of the Tennessee river were set aside as a guaranty. This paper was not made a legal tender, but was made payable and receivable for all public debts, dues and taxes; and if a creditor refused to receive its bills he became exposed to the operation of the replevin or stay law. Loans to single individuals were limited to \$2,000. "The bank was to be managed by a president and twelve directors chosen by the Legislature. The main bank was located at Frankfort, but it was to have a branch in each of the thirteen judicial districts in the State. All debts due to the State could be paid in the notes of this bank, but, strange to say, while its charter required its own notes to be paid in specie, it permitted those who owed the bank to pay what they owed in the notes of the Bank of Kentucky. There is no way of accounting for this strange provision of the charter except upon the assumption that it was then the fixed purpose of the Legislature to withdraw the State stock, money and business from the Bank of Kentucky and to concentrate them in the Bank of the Commonwealth. And such in fact was afterward done as fully and as rapidly as they could be drawn from one bank and placed in the other."*

"At the time of the establishment of the Bank of the Commonwealth the Bank of Kentucky was in good condition, well managed, paying its notes in specie, and its stock was at par. By the terms of its charter, as already noted, the right was reserved to the Legislature of electing such number of directors as would ensure control of the Board. Fearing that the experienced and conservative President and Board of Directors, who had hitherto so prudently managed the Bank of Kentucky, might feel it their duty to reject the issues of the new institution, the Legislature exercised its right and superseded the old Board by men pledged to receive the notes of the new bank for debts due the Bank of Kentucky. This action effected the ruin of the latter bank, depreciating its stock fifty per cent. and compelling it to suspend specie payments."†

On the 18th of December, 1821, an amendment to the charter of the Bank of the Commonwealth set aside one-half of the profits of the State in the bank to be devoted to public instruction—a promise, however, which was not fulfilled, if indeed there were any profits to be so appropriated. January 7, 1824, an act of the Legislature turned over to the revenue whatever there was of the literature fund, as it was called, after which nothing further is heard of the bank as a contributor to public instruction.

"The bank soon found that some of its branches were at places where banking could not be made profitable, and in 1830 the Legislature authorized the mother bank to dispense with any branch that did not pay its way. This was but the beginning of the end, for neither the mother bank nor any one of its branches

* R. T. Durrett; Early Banking in Kentucky, in *Kentucky Bankers' Association Proceedings*, 1892.

† J. J. Knox, in *Rhodes' Journal of Banking*, September, 1892.

was in a prosperous condition. Its stocks and its notes were at a fatal discount and no act of the Legislature could inspire confidence in them. The bank was first restricted to the issue of notes of denominations between \$1 and \$100; but it was not long before many persons did not want so much as \$100 or even \$1 of its paper, and notes for the fractions—shinplasters—in denominations of $6\frac{1}{4}$, $12\frac{1}{2}$, 25 and 50 cents were made, many of which were never redeemed.”*

By March 22, 1822, the notes of the Bank of the Commonwealth had fallen to $62\frac{1}{2}$ cents on the dollar, and they continued to fall in value until they passed at a small fraction of their face value, and creditors were left to accept a fraction of their debt in full payment or go without payment for two years, running the risk of further delays and perhaps ultimate failure of payment.

Meanwhile the Circuit Court, and later, the Court of Appeals, decided against the constitutionality of the replevin feature of law. Thereupon ensued a fierce and long continued struggle between the Legislature and the judiciary, involving the attempted abolition of the existing Court of Appeals and the creation in its stead of a new Court, with three justices with salaries of \$2,000 each, payable in Bank of Commonwealth notes. In 1827 the controversy was closed in favor of the old Court.

In connection with the Bank of the Commonwealth of Kentucky the question whether the bills of this bank were such bills of credit as are forbidden by that clause of the Constitution of the United States which provides that States shall not emit bills of credit, came before the United States Supreme Court. The charter of the bank provided that it should be established in the name and in behalf of the Commonwealth of Kentucky, and should be under the direction of a President and twelve Directors, to be chosen by the Legislature, and, moreover, that it should be exclusively the property of the Commonwealth. The Supreme Court had previously, in the case of *Craig vs. State of Missouri*, decided that bills of the State issued through loan offices were unconstitutional, and the question here arising as to whether the bills of the Bank of the Commonwealth, a creature of the State, with a capital subscribed wholly by the State and managed by State officers, the profits from which were to accrue to the State, did not come under the same rule, it was held that the law was not unconstitutional, and that the notes issued by the institution were not bills of credit of the State.

In 1830 the bank, by authority of the Legislature, ceased to loan money, and for the simple reason, though not so stated, that nobody wanted to borrow its money. Its charter expired in 1841, but such of its franchises as were necessary to wind up its affairs were from time to time extended by the Legislature, and, like the old Bank of Kentucky, it continued for many years trying to collect its assets and pay its debts. It may, however, be considered as having closed its banking business when it ceased to loan money.*

The State of Kentucky seems by this time to have learned that a controlling interest in a banking institution was not always an advantageous condition, either for the bank or for the State. It was not, however, yet ready to withdraw entirely from banking ventures. In 1833-5 three banks were incorporated, the Bank of Louisville, the Bank of Kentucky, and the Northern Bank of Kentucky. The second of these was chartered February 22, 1834, for thirty years, with a capital of \$5,000,000. Of this amount \$2,000,000 was reserved for subscription by the State. In 1843 the State stock in the bank was reduced to \$1,000,000. The State subscriptions were paid for by the issues of bonds, a part of which were held by the bank as an investment and the remainder sold. The management was through eleven directors, eight chosen by the stockholders and three by the State. The bank was authorized to open a principal office at Louisville and six branches, including one “to be located and continued at the seat of government, unless the Legislature shall otherwise direct, to aid in the management of the fiscal affairs of the State.” The branches first established were at Frankfort, Lexington, Maysville, Greensburg, Bowling Green, and Hopkinsville. The amount of notes originally issued was: Frankfort, \$241,000; Maysville, \$126,000; Lexington, \$200,000; Greensburg, \$60,000; Bowling Green, \$60,000; Hopkinsville, \$60,000. These limits were subsequently raised, and by May, 1837, the issues of the principal bank appear to have been \$2,430,000, and of the branches \$1,505,000.

In 1837 the treasurer was directed to use a certain proportion of the revenues received from the U. S. in paying up some of the shares in the bank subscribed for by the State; in return for which the bank opened an additional branch at Danville.

The course of the bank was marked by a thoroughly conservative and able management which earned for it a well deserved success. The years of the war interfered somewhat with its business, and resulted in the closing of all the branches, except that at Frankfort. In 1877 the Bank purchased, at an estimated valuation

* Durrett: “Early Banking in Kentucky.”

of \$872,348, remainder of the stock held by the State, which thereupon resigned its interests and retired from the field of banking.*

The following is a statement of the circulation of each of these three institutions, for various years : †

	Bank of Ky. (old.)	Bank of Common- wealth.	Bank of Ky. (new.)		Bank of Ky. (old.)	Bank of Common- wealth.	Bank of Ky. (new.)
1814.....	\$576,025	.....		1826.....	\$83,109	\$970,174	
1815.....	1,277,052	.....		1827.....	58,645	643,322	
1816.....	1,955,411	.....		1828.....	41,028	343,196	
1817.....	1,563,918	.....		1829.....	38,064	347,374	
1818.....	1,267,630	.....		1830.....	33,894	344,252	
1819.....	667,348	.....		1831.....	32,571	222,028	
1820.....	1,301,729	.....		1832.....	.....	132,452	
1821.....	1,200,057	\$2,471,272		1833.....	.....	103,269	
1822.....	986,229	2,369,764		1834.....	.....	56,483	\$319,665
1823.....	481,193	1,618,605		1835.....	.....	.....	2,602,535
1824.....	408,874	1,742,563		1836.....	.....	.....	4,105,155
1825.....	111,663	1,304,470		1837.....	.....	.....	3,414,865

DELAWARE.

It may surprise many to learn that Delaware early ventured a short way into the field of State banking, and that the relations then assumed have been maintained to the present time.

Feb. 3, 1807, the Farmer's Bank of Delaware was granted a charter by an act the preamble of which read :

"Whereas, the establishment of a bank for the State of Delaware upon a foundation sufficiently extensive to answer the purposes intended thereby, will be conducive to the general interests of the State, and tend to promote the agriculture, commerce and manufactures thereof ; therefore," etc.

The capital of the bank was \$500,000, of which \$100,000 was subscribed by the State, and the remainder apportioned among the counties for subscriptions by individuals. The head office was located at Dover, and branches established at New Castle and Georgetown. The bank was managed by 27 directors, one-third of whom were appointed by the State. The debts to be contracted by the bank were limited to twice the capital stock.

The authorized capital of the bank was afterwards increased to \$1,000,000, and the actual capital to \$680,000 ; and a third branch at Wilmington was added. The institution seems always to have been prudently managed.

The bank never had a monopoly of the circulation of the State, yet always occupied a prominent position in that regard. In 1835, out of a total circulation of \$622,397, reported in the State, \$339,379 was issued by the Farmers' Bank. Two years later, out of a total circulation of \$718,948 by the four banks then in the State, \$386,582 is that of the Farmers' Bank and its branches. In 1842 there were but three banks in operation—the Farmers' Bank, with a capital of \$680,000 and circulation of \$383,889, and two others, with an aggregate capital of \$208,470 and aggregate circulation of \$341,940. By 1857 the number of banks in the State had increased to eight, with a total circulation of \$1,394,094, of which \$535,758 was issued by the Farmers' Bank. This was also the only institution at that time possessing branches, though the Bank of Smyrna had earlier operated a single branch. At the opening of the year 1861 the Farmers' Bank had \$358,586 outstanding circulation.

In 1866 the Legislature passed an act to enable it to become a National bank ; but the directors refused to sanction the change, and it has continued to the present time under its State charter. The State of Delaware now owns 8,714 shares of its stock, listed in the report of the Auditor for 1893 at \$402,840, from which it derived an income of \$22,000 during the preceding year. Because of this ownership the State, through its Legislature, appoints three directors for the principal bank and three for each of its branches. The State Treasurer, who is also trustee of the School Fund, is required to deposit money belonging to the State or School Fund in the Farmers' Bank.

NORTH CAROLINA.

The charter of the State Bank, enacted in 1810, authorized that corporation to raise a capital stock of \$1,600,000, and directed books to be opened to receive subscriptions for that amount, requiring at the same time that individuals subscribing for stock should pay three-fourths of the amount subscribed in specie. Books were accordingly opened, and the sum subscribed, including the subscription of \$250,000 for the State, amounted to \$1,175,600. Of this sum only about \$500,000 was paid in, as

* Basil W. Duke : History of the Bank of Kentucky, 1895.

† Ex Doc. No. 227, 25th Congress, 3d Sess. [1839], p. 681.

required by the charter, in gold or silver. The balance was paid in Bank notes. Upon the capital thus constituted, the bank went into operation. By November, 1818, the proportion between notes in circulation and the specie on hand was nearly 12 to 1. In other words, the bank had largely upwards of 11 and nearly 12 dollars of their notes in circulation for every dollar of specie in their vaults. The directors then ordered books to be opened to receive subscriptions for the \$424,000 which remained unsubscribed when the books were first opened; and it forms a part of the order by which this additional subscription was authorized, that the subscribers *might* pay it in the notes of the bank. The reason assigned for this operation of the directors is that they were desirous of applying a sponge to a part of their outstanding debt; and by way of calling in \$424,000 of their notes, they authorized individuals who held them to subscribe for stock in the bank to that amount, and pay for it in their notes. Before all the installments became payable, the State Bank, Bank of Newburn and Bank of Cape Fear, entered into a formal resolution through their delegates assembled at Fayetteville, in June, 1819, not to pay specie; and their notes immediately fell to 15 per cent. below par. "The depreciation of the notes of all the Banks, occasioned by the refusal of the Banks to make good their notes with specie, has been productive of incalculable mischief to the community; and it is no considerable aggravation of the mischief to know that in the case of the State Bank large quantities of their notes have occasionally been thrown into circulation by themselves in the purchase of cotton. * * * Another remarkable fact in the history of the State Bank is that, to protect themselves from demands for specie, they determined at one time to administer an oath to an individual presenting their notes for specie, in which he was compelled to state that he was not a broker." *

The items of capital, circulation and loans and discounts in the closing years of the institution were:

	Capital.	Circulation.	Loans and Discounts.
1831.....	\$1,598,775	\$784,957	\$1,815,348
1833.....	798,775	377,722	993,368
1835.....	478,775	289,042	636,626

The charter of this bank expired in 1835. In 1837 it still had a nominal circulation outstanding of \$120,000. This the new Bank of the State of North Carolina redeemed at par when presented.

In 1833, just before the expiration of the charter of the first State Bank, the Legislature chartered the Bank of the State of North Carolina, with an authorized capital of \$1,500,000—\$900,000 for individual stockholders, and \$600,000 for the State. By August 20, 1836, the whole of this capital had been paid in. The head office was at Raleigh and the bank had power to establish branches at such places as the stockholders might designate. In 1836 it had five branches—at Newbern, Tarboro', Fayetteville, Wilmington and Elizabeth City—in addition to agencies at several other points. The *branches* issued notes payable at their respective offices. The *agencies* merely made discounts and purchased bills of exchange with funds of the principal bank; they were mere offices of the principal bank and kept no account with any other. Additional branches at Charlotte, Milton and Montgomery were opened in later years. Its circulation at that time amounted to \$2,107,760. This, however, was during the expansion that preceded the crisis of 1837, and seems to have been the largest amount ever reported.

The following will show the capital, circulation and loans and discounts at various dates:

	Capital.	Circulation.	Loans and Discounts.		Capital.	Circulation.	Loans and Discounts.
Aug. 22, 1835...	\$1,092,600	\$1,253,030	\$1,553,768	Nov., 1845....	\$1,500,000	\$1,324,413	\$2,464,873
Nov. 21, 1835...	1,096,600	1,259,656	2,331,534	" 1846....	1,500,000	1,436,790	2,594,939
Dec. 24, 1836...	1,500,000	2,107,760	4,113,686	" 1847....	1,500,000	1,595,600	3,542,177
July 22, 1837...	1,500,000	1,291,550	3,001,581	" 1849....	1,500,000	1,525,739	2,734,941
Feb. 24, 1838...	1,500,000	1,265,945	2,855,699	" 1850....	1,500,000	1,687,019	2,709,153
Nov. 24, 1838...	1,500,000	\$ 1,058,918	2,575,214	" 1852....	1,500,000	1,642,520	3,131,134
Apr. 20, 1839...	1,500,000	1,323,501	2,813,003	" 1853....	1,500,000	1,835,799	3,168,576
Oct. 26, 1839...	1,500,000	1,165,857	2,739,287	" 1854....	1,500,000	1,635,157	3,344,646
" 1840....	1,500,000	995,788	2,330,980	" 1855....	1,500,000	1,051,931	2,843,413
" 1841....	1,500,000	898,912	2,198,988	" 1856....	1,500,000	1,033,633	2,791,297
" 1842....	1,500,000	675,038	2,065,479	Dec., 1857....	1,500,000	1,025,566	2,800,738
" 1843....	1,500,000	943,695	2,298,196	" 1858....	1,500,000	1,251,557	2,981,979
" 1844....	1,500,000	1,118,693	2,297,378				

\$ Apportioned among the branches as follows:

Principal Office,	\$200,059	Tarboro',	\$123,223	Wilmington,	\$238,810
Newbern,	144,204	Fayetteville,	252,067	Elizabeth City,	100,555

* Report of Legislative Committee, 1828-9, quoted by Gouge: *Short History of Paper Money and Banking*, p. 41.

In 1859 the Bank of the State of North Carolina was superseded by the Bank of North Carolina, which assumed the debts of the former.

The State of North Carolina also owned more than one-third the capital of the Bank of Cape Fear; but as this was not regarded as a State institution, it need not be discussed in this connection.

SOUTH CAROLINA.

In 1812, to relieve the financial distress then prevailing, the Legislature chartered the Bank of the State of South Carolina. This bank was to receive on deposit all stocks and bonds and unexpended cash and all taxes collected in the future. The title was vested in the president and directors, and the faith of the State was pledged to support the bank and make good all losses. The institution had power to make loans on both real and personal security at seven per cent. interest, payable in advance, and loans to be renewable for years. The bank was to pay the interest on the State debt and its charter was to run till 1836. The State of South Carolina was the sole proprietor of the bank, which was the fiscal agent of the State. It received all taxes, paid all demands, negotiated all loans, and received the assets of the State.

In 1813 its actual capital was but little more than \$150,000; but from surplus profits and from the assets turned over to it by the State, it was increased by 1820 to \$1,196,220. In 1828 the Comptroller, after noting that the bank had paid into the Treasury as net income to that date the sum of \$1,315,977, added:

"The propriety for the original establishment of the bank cannot now be considered as open to discussion, but if we take into consideration the present condition of our finances, their intimate connection with and reliance upon the bank; together with the heavy burden imposed upon the latter in relation to our public debt, there remains little doubt that to nourish and guard its interests is at present the peculiar province of the Legislature."

In 1830 the charter of the bank was renewed until 1856. The bank had branches at Columbia and Camden, but all the notes of the bank, whether put in circulation by the branches or by the head office, seem to have been issued by the latter. The table which follows will indicate somewhat of the condition of the institution at frequent intervals during the period of its existence.

	Capital.	Circulation.	Loans and Discounts.		* Capital.	Circulation.	Loans and Discounts.
Oct. 1, 1814....	\$255,900	\$460,000	\$601,660	Oct. 1, 1841..	\$3,356,318	\$554,455	\$4,227,895
" 1816....	444,973	750,000	1,272,872	" 1842..	3,356,318	608,001	4,289,030
" 1818....	1,052,866	1,440,000	2,372,633	" 1843..	3,356,318	635,895	4,248,123
" 1820....	1,196,220	1,160,000	1,952,212	" 1844..	2,966,743	892,692	4,442,059
" 1822....	1,196,220	1,074,856	2,249,722	" 1845..	2,933,610	1,019,090	4,432,800
" 1824....	1,196,220	1,426,110	2,754,319	" 31, 1846..	2,933,610	1,209,488	4,762,090
" 1826....	1,196,220	1,009,607	2,699,984	Jan. 31, 1848..	2,933,610	1,137,776	
" 1828....	1,176,269	1,034,570	2,726,922	Jan. 1, 1850..	2,905,846	1,169,541	4,635,561
" 1830....	1,156,318	1,243,060	2,685,160	" 1851..	2,882,796	1,749,155	4,673,477
" 1831....	1,156,318	1,279,347	2,837,235	" 1853..	1,122,461	2,049,150	5,156,278
" 1832....	1,156,318	1,185,744	2,637,482	Mar., 1854..	1,122,461	1,654,561	
" 1833....	1,156,318	1,273,892	2,469,019	Sept., 1854..	1,119,141	1,251,969	
" 1834....	1,156,318	1,208,270	2,296,344	" 1855..	1,113,789	1,122,156	
" 1835....	1,156,318	1,273,370	2,101,294	Jan. 1, 1857..	1,104,367	1,409,116	
" 1836....	1,156,318	1,118,270	3,145,021	Sept., 1857..	1,104,367	1,189,999	
" 1837....	1,156,318	649,023	3,842,090	Dec., 1858..	1,090,977	1,709,718	
" 1838....	1,156,318	646,631	2,825,529	" 1859..	1,086,362	1,815,552	
" 1839....	1,156,318	563,270	2,814,611	Sept., 1860..	1,076,786	1,211,652	
" 1840....	1,156,318	453,480	2,252,768				

* For the years 1841 to 1851, inclusive, the loan negotiated for the purpose of rebuilding the city of Charleston is included. This was reduced from \$2,000,000 in 1840 to \$1,700,000 in 1852.

"In 1852 the charter was again extended until 1871. Even the Civil War did not destroy the bank, and in 1867 it still held a large amount of assets, some of which had been rendered of doubtful value, belonging to the State. In 1868 the first Republican (negro) Legislature passed an Act to close the bank, and in 1870 it was placed in the hands of receivers."*

* J. J. Knox, in *Rhodes' Journal of Banking*, Oct., 1892.

INDIANA.

When Indiana was admitted as a State in 1816, there were in operation two banks chartered in 1814, one of which, the Bank of Vincennes, incorporated September 10, 1814, with a capital of \$500,000, was adopted as the State bank of Indiana, in accordance with the constitution which prohibited the establishment of any bank except a State bank, but provided in express terms that the existing banks might be consolidated into such State bank. By the provisions of the Act of adoption the powers of the incorporation were enlarged, and it was authorized to increase its banking facilities by additional \$1,000,000 capital divided into 10,000 shares of \$100 each. Of these shares, 3,750 were reserved to be subscribed for from time to time by the Governor of the State. The remainder were to be offered to private individuals, corporations and companies. The Bank of Vincennes was also authorized to affiliate the Farmers' & Mechanics' Bank of Indiana, at Madison, as one of its branches. Branches were also established at Brookville, Corydon and Vevay. In 1821, scarcely five years after the Bank of Vincennes had been raised to the dignity of a State bank, violations of the powers granted by its charter had become notorious. The Legislature, on December 31, 1821, authorized proceedings against it which resulted in its being deprived of its franchise and privileges. A large amount of its notes became utterly worthless, but those of the Farmers' & Mechanics' Bank were ultimately redeemed. The actual paid-in capital of both banks does not appear to have been more than \$202,857.*

For the next thirteen years Indiana was without banks of any sort. "In 1834, the State Bank of Indiana was incorporated, with ten branches, afterwards increased to thirteen, the branches being mutually liable for the debts of each other. Each share was subject to a tax of twelve and one-half cents annually for educational purposes, in lieu of all other taxes. If an *ad valorem* system of taxation should be authorized by the State, the stock was to be liable the same as other capital, not exceeding one per cent. per annum. The directors of the parent bank were to have charge of the plates and unsigned notes of the branches, and were authorized to deliver to them an amount of circulation not exceeding twice the amount of the stock subscribed.

"The State Bank was chartered, as were many other banks in different States, to fill the vacuum which it was anticipated would result from the winding up of the Bank of the United States. The parent bank itself was merely a Board of Control. the President and five Directors of which were elected by the Legislature. All the business was done by the branches, which were under the supervision and control of the Central Board in much the same manner as the National Banks are under the supervision of the office of the Comptroller of the Currency. The branches each elected one director who formed a part of the Board of Control. The charter extended until January 1, 1857, and during the existence of the State Bank no other bank was to be created or authorized. The capital of each branch was \$160,000, one half to be taken by the State and the other by individual stockholders. The whole capital was paid in silver. The State paid in its proportion at once. The individual stockholder paid in \$18.75 on each fifty dollars share and the remaining \$31.25 was paid for him by the State upon his giving real estate security at one-half its improved value for the repayment. The money, to make its own payments and those advanced for the stockholders, was obtained by the State by the sale in London of its own 5% bonds, which were known as bank bonds, the interest being provided for from the dividends of the State stock. All capital was thus paid in cash; each stockholder was liable for an amount equal to his stock, and each branch was liable for the debts of the other branches."*

No note under \$5 was allowed to be issued, and the Legislature reserved the right to restrict it to \$10 within ten years.

In January, 1836, an amendment was passed by the Legislature, allowing the discounts to be extended to two and one-half times the capital, and permitting the branches to increase their capitals to \$250,000 each, though only four ever had over \$200,000.

The bank commenced business at one of the most critical periods in the history of the country, at the beginning of the era of speculation which nearly bankrupted the whole nation, and which culminated in the terrible catastrophe of 1837. At this disastrous crisis nearly every bank in the Western and Southwestern States failed, with the exception of the State Bank of Indiana. A very large number of those of the Eastern States were totally ruined. The bank did, however, suspend specie payments in 1838. In 1841, it was authorized to issue notes of a less denomination than \$5, not exceeding in the aggregate \$1,000,000, on the payment of one per cent. for the privilege. In 1839, its circulation was \$2,951,594 of which about one-

* J. J. Knox, in *Rhodes' Journal of Banking*, September, 1892.

third was notes of \$5 and the remainder mainly \$10 and \$20. In 1845, the total circulation was \$3,527,351, of which \$520,393 was notes below \$5.

STATEMENT OF THE CAPITAL, CIRCULATION, SPECIE, AND LOANS AND DISCOUNTS OF THE STATE BANK OF INDIANA.

	Brauches.	Capital.	Circulation.	Specie.	Loans and Discounts.
January 1, 1835.....	9	\$800,000	\$456,065	\$751,083	\$531,843
May 13, 1837.....	10	1,846,921	2,516,790	1,196,187	4,308,956
November, 1840.....	12	2,671,618	2,865,568	1,076,551	3,689,595
“ 1841.....	12	2,743,191	2,871,689	1,127,901	4,419,104
“ 1842.....	12	2,727,532	1,828,371	811,234	2,866,629
“ 1843.....	12	2,130,555	2,310,690	965,226	2,677,530
“ 1844.....	12	2,105,212	3,101,000	1,120,013	2,834,421
“ 1845.....	12	2,087,894	3,527,351	1,079,368	3,721,805
“ 1846.....	12	2,083,824	3,536,533	1,003,647	3,596,391
“ 1847.....	12	2,082,874	3,606,452	1,083,979	3,498,912
“ 1848.....	12	2,089,908	3,708,031	1,273,895	3,551,544
“ 1849.....	12	2,082,910	3,304,260	1,285,406	3,912,796
“ 1850.....	13*	2,082,950	3,421,445	1,197,880	4,395,099
“ 1851.....	13	2,083,007	3,772,193	1,245,407	4,621,726
“ 1852.....	13	2,082,007	3,860,524	1,308,933	4,249,994
“ 1853.....	13	2,150,107	3,835,705	1,377,805	5,037,394
“ 1854.....	13	2,150,107	2,803,648	1,086,963	4,198,585
“ 1855.....	13	2,150,107	3,335,726	1,223,199	4,678,781
“ 1856.....	13	2,150,107	3,381,806	1,119,469	4,690,636

* Indianapolis, Lawrenceburg, Richmond, Madison, New Albany, Evansville, Vincennes, Bedford, Terre Haute, Lafayette, Fort Wayne, South Bend, Michigan City.

The bank resumed specie payments in 1841, and thereafter, under able management maintained a high credit, and when its charter expired in 1857, it was with deep regret on the part of many that the new constitution precluded its renewal upon the former basis.* But, influenced perhaps more by the disastrous failures of nearly every other banking institution under State management than by any shortcomings in the State Bank of Indiana, the people in 1851 had inserted in the State constitution, the section : “ The State shall not be a stockholder in any bank after the expiration of the present bank charter ; nor shall the credit of the State ever be given or loaned in aid of any person, association or corporation.”

For the \$1,000,000 invested by the State in the institution it had received as its profits fully \$3,500,000. Of the numerous enterprises in which the State of Indiana embarked—and, for that matter, of the numerous banking enterprises in which any of the States embarked—this seems to have been about the most successful.

MISSISSIPPI.

In 1818 an act was passed reorganizing, as a State institution, the Bank of Mississippi, which was thereafter known as the Bank of the State of Mississippi. Its capital was limited to \$3,000,000, of which one-fifth was to be subscribed by the State, which was to appoint one-third the directors. The notes of the bank were made receivable for all payments to the State ; and the bank was given a monopoly. Its authorized capital was never all paid in, but the management of the bank seems to have been satisfactory. In 1827 a State loan of \$250,000 was authorized, with which to pay all debts due from the State to the bank.

In 1830, disregarding the pledge given in 1818, that no other bank should be established, the Legislature chartered, for a term of 25 years, the Planters' Bank, with a capital of \$3,000,000, and made it the fiscal agent of the State.

The preamble of the charter reads : “ Whereas the establishment of a bank in the State of Mississippi for the purposes of general convenience and public revenue would * * * * by a creation of revenue relieve the citizens of the State from an oppressive burden of taxes, and enable them to realize the blessings of a correct system of internal improvement, therefore,” etc.

Of the total capital, increased to \$4,000,000, the State subscribed \$2,000,000, for the payment of which it issued bonds bearing 6% interest. The bonds were sold at a premium of \$250,000, which was deposited in the bank as a sinking fund from which, together with dividends declared on its bank stock, the interest was to be paid. The State stock in the Bank of the State of Mississippi was also sold at this time, and the proceeds turned into the new bank. At first the State was to select seven directors to act with six chosen by the stockholders ; but three years later, the numbers were reversed, so as to give the individual stockholders the selection

* The State Bank of Indiana chartered in 1835, though given special privileges in that its notes were not required to be secured by the deposit of State stocks as were those of the “ free banks ” established at the preceding session, cannot be regarded as a State institution in the sense in which the term is used in this sketch.

of the majority of the board. The State was pledged to make good all losses arising from deficiency of the funds of the bank, in proportion to the stock owned by the State. Notes under \$5 were prohibited, and the aggregate circulation was limited to three times the capital stock.

The bank paid annual dividends of 10% until September, 1839, when the sinking fund amounted to \$800,000. The State, however, shortly after this transferred its interest to the Mississippi Railroad Co., and the most of the sinking fund was subsequently lost. Its notes in 1842 were worth but 70 cents on the dollar.

During the most of its career the bank operated eight branches. The following table will give the amount of capital, circulation and loans and discounts, respectively, at various dates throughout the period of its existence :

	CAPITAL.	CIRCULATION.	LOANS AND DISCOUNTS.
Jan. 1833.....	\$2,666,305	\$1,510,426	\$5,461,464
Dec. 1834.....	3,890,412	1,762,170	6,876,121
Jan. 1836.....	4,139,140	2,477,376	10,322,283
" 1837.....	4,200,140	1,927,885	10,215,996
Nov. 1837.....	4,205,140	1,452,695	8,742,910
Jan. 1838.....	4,205,140	1,781,531	
June 1838.....	4,208,500	1,877,110	5,436,333
Dec. 1839.....	4,261,000	362,582	
Dec. 1841.....	4,261,200	501,823	{ 1,510,548*
			{ 4,761,883*

* Suspended debt.

The next venture of the State of Mississippi in the business of banking was in connection with the Mississippi Union Bank. Its charter, granted in 1838, provided for a capital of \$15,000,000, "to be raised by means of loans to be obtained by the directors." These loans were to be negotiated through bonds of the State, for the security of which the credit of the State was pledged. The *stock*, however, was to be subscribed by real estate owners alone, who were to give mortgages to secure their subscriptions.

In 1838 the first \$5,000,000 of these bonds were issued and put on the market. All were sold at par through Nicholas Biddle, president of the Bank of the United States, then operating under a Pennsylvania charter. The proceeds were paid in instalments of \$1,000,000 each at intervals of two months. The other banks of the country at the time not being on a specie basis, the bank decided for the present to issue only post notes. On September 27, 1838, the Board of Managers commenced discounting, issuing post notes payable August 1st, 1839. By January 17, 1839, the notes discounted on personal security alone, or upon personal security and cotton, amounted to more than \$4,000,000; and the post notes in circulation at the same date aggregated \$2,228,150 and demand notes \$51,000. A report of a legislative investigating committee in April, 1840, makes the total issue of parent bank and six branches outstanding on that date, \$3,337,665. By December, 1841, this had been reduced to \$1,872,366. The resources at this latter date included \$4,868,158 of "suspended" debt.

The management of the institution seems to have been not only visionary, but grossly negligent in scrutinizing the character of the paper offered for discount, and many loans were made where it afterwards transpired nothing could be collected. The proceeds of the \$5,000,000 of State bonds, disposed of in 1838, had all been wasted in less than eighteen months after the bank commenced discounting in September of 1838. Nearly a million dollars was lost by advances on cotton alone. By 1842 the condition of the bank had become so hopeless that an assignment was had and preparations made to wind up the institution.

In setting forth the situation to the Legislature in 1842, the Governor said : "The interest on those bonds has not been paid during the past year. The Mississippi Union Bank will not be able hereafter to pay any portion of the interest or principal of those bonds. With good management the bank may possibly, under favorable circumstances, be enabled, at a day far distant, to take up all her circulation (\$1,872,366)." The paper of the bank was then selling at 35 cents on the dollar.

As early as 1841 the interest on all of the State bonds—both those issued in behalf of the Planters' Bank, amounting to \$2,000,000, and the \$5,000,000 which had actually been issued and sold for the Mississippi Union Bank—was in default. The State, after a protracted discussion, then denied all obligations to pay the bonds, for the reason that they were not issued in accordance with the constitutional requirements, and, finally, a constitutional amendment was passed forbidding the payment of any of them.

ILLINOIS.

The Constitution of 1818, upon the admission of Illinois as a State, prohibited the establishment of any new bank except a State bank and branches; and at the first session of the State Legislature a new bank was incorporated, by act approved March 22, 1819, by the name of the "President, Directors and Company of the

State Bank of Illinois." This was to be the joint property of individuals and of the State. Half of its stock of four millions was to be subscribed by individuals, the rest by the State of Illinois, whenever the Legislature should deem it proper. Ten per cent. of such subscriptions as were made was to be paid down in specie or current bank notes; but as soon as fifteen thousand dollars had been actually received, directors were to be elected and business begin. The president and six directors were to be elected by joint convention of the Senate and House of Representatives and six directors by the stockholders. Branch banks could be established to the number of ten.

So far as this new bank, incorporated in 1819 under the name of the State Bank of Illinois, was concerned, these provisions were not important, for no stock was ever subscribed, and the bank never existed, therefore, except on the statute books of the State.

As neither the act incorporating this new bank nor the modification of it shortly after, allowing subscribers to pay for the stock in State warrants rather than in specie, was successful in inducing subscriptions, the Legislature, at its next session in 1821, repealed the law, and embarked the State of Illinois in a new banking project, wherein it acted officially and exclusively and without the co-operation of any private persons.*

On February 3, 1821, there was passed an act entitled "An Act Establishing the State Bank of Illinois," which was to have a capital stock of half a million dollars, based entirely upon the credit of the State. Its headquarters were to be at Vandalia, the seat of Government, and it was to be owned entirely by the State. The State was divided into five districts, each to have a branch of the State Bank of Illinois. There were to be a president and six directors of the principal bank, and five directors for each branch bank, to be elected by the Legislature every two years. The bank was authorized to issue notes of the denominations of \$1, \$2, \$3, \$5, \$10 and \$20 bearing 2 per cent. annual interest and payable in ten years.

The circulating notes were made receivable in payment of State and County taxes, and for costs and fees and salaries of public officers; and the refusal by a creditor to receive them in payment of a debt enabled the debtor, by giving personal security, to stay collection for three years. The law required the bank to lend to the people \$100 on personal security, and in amounts not exceeding \$1,000, upon notes secured by mortgage on real estate.

The act further provided for the distribution of these bills, which, as is seen, were based entirely upon the credit and taxing power of the State, for no capital was ever invested in the bank. Indeed the capital is explicitly specified in the act referred to as the half-million dollars of bills which the bank was authorized to issue. As a matter of fact, but \$300,000 of them were emitted. Each branch bank by the terms of the law was given that portionate share of this issue which the number of inhabitants in that district bore to all the inhabitants of the State. The law provided that as soon as the president and directors of the different branches were furnished with the several sums as specified, they were authorized and required to loan out the same, or so much thereof as might be applied for by citizens residing within the district, and that the president and directors of the principal bank and each of its branches, in the granting of loans to the several applicants, should make among the inhabitants composing each of their respective districts a distribution as nearly as practicable according to the relative population contained in the respective counties in such districts.

The bank went into operation during the Summer of 1821. Everyone who could get an endorser borrowed his \$100, and these loans, with those made on real estate security, soon amounted to the whole capital of the bank. The notes were to be renewed on payment of 10 per cent. of the principal annually. The law provided that each year one-tenth of the loans which were thus provided for should be called in, and one-tenth part of the whole amount of notes should be redeemed and withdrawn from circulation.

Not long after, the circulation of the bank was quoted at seventy-five cents on the dollar, then at fifty cents, and finally at twenty-five cents, when it ceased to circulate. By the year 1824, it became impossible to pay the expenses of the State Government with the notes at their par value, and the State officers were paid in them at their real value—thus frequently receiving three dollars in bank notes in payment of one dollar in specie.

A loan of the State of \$100,000 was negotiated in these notes at par, and the notes subsequently paid out at fifty cents on the dollar. As the State finally redeemed the issues at par, it is estimated that the total loss through depreciation, and from worthless loans, amounted to about \$400,000.†

* Lyman J. Gage, in *World's Congress of Bankers and Financiers*.

† J. J. Knox, in *Rhodes' Journal of Banking*, August, 1893.

In the session of 1825, however, the Legislature did pass an act requiring the cashier of the bank to collect all the bank notes issued and which had come back to the bank, and all unsigned notes or notes never issued, and burn them in the presence of the Governor and the Judges of the Supreme Court in the public square in the town of Vandalia. It also provided that all notes which afterward came into the hands of the State Treasurer should have a stamp of re-issue placed upon them, and then should be paid out without adding interest, and should thereafter cease to bear interest; while all those which came into the hands of the cashiers of the different branch banks in payment of installments of the indebtedness should be each year burned during the session of the Supreme Court, in the presence of the judges thereof, and of the Governor and Secretary of State, and of the Auditor of Public Accounts, and of the State Treasurer. This act also did away with the president and directors of the different banks; vested the entire power of the banks in the hands of the cashiers, and provided that the cashiers should be appointed by the Governor. By various reports of the Auditor, however, up to 1831, when the affairs of this bank were finally wound up, it appears that very few of the notes found their way into the hands of the cashiers to be burned—in some years only three or four bills. The persons owing debts to the bank were apparently either unable or unwilling to pay them even in its depreciated currency.

In 1831 the affairs of the State bank were practically closed, the State borrowing \$100,000—the celebrated Wiggins loan—and redeeming all the notes of the bank then outstanding.

From 1831 to 1835 the State was without banks of any kind. In February, 1835, the Legislature chartered a new State bank, with a capital of \$1,500,000 with the privilege of increasing to \$2,500,000. By the terms of the charter the State was to become a partner and hold \$100,000 of the stock. Its charter to expire in 1860, conveyed the ordinary banking powers and privileges, and also required the institution to have a real estate fund of \$1,000,000, to be loaned out on real estate mortgages for five years. It could issue bills of denomination not less than \$5, to two and one-half times its capital stock, and loan and discount to three times its capital stock.

The stock of the bank was eagerly taken, the subscriptions soon exceeding the limit; and the stock ran up to a premium of thirteen per cent. The provision securing small holders of stock proportionately more votes than larger ones, was ineffective, parties desiring a controlling interest procuring through agents powers of attorney to subscribe for stock and manage it. An effort made by a firm at Alton controlling a large amount of stock to boom Alton as a commercial rival of St. Louis failed and the bank lost heavily—nearly \$1,000,000—and was not far from insolvency at the end of the second year of its existence, though this fact was not generally known.

But not content with one bank, the Legislature, on the very day on which it chartered the State Bank, passed an act continuing in force for twenty years the charter of the Bank of Illinois at Shawneetown, originally incorporated by the Territorial Legislature. The authorized capital of the revived bank at Shawneetown was fixed at \$300,000, of which one-third was reserved for the State.

To all outward appearance the Bank at Shawneetown and the State Bank continued to be sound and in good repute till 1837. In connection with an extended scheme of internal improvement authorized in that year, the capital stock of the State Bank was increased by \$2,000,000 additional subscription on the part of the State; and that of the Bank at Shawneetown by \$1,000,000 on behalf of the State and \$400,000 to be subscribed by individuals. A loan of \$3,000,000 was authorized to pay the subscriptions by the State. It was expected that the State bonds would sell at a premium, but when offered in the market they could not be sold at par. The banks, however, to prevent the measure from falling through agreed to take the bonds at par, instead of money, as subscriptions for the stock. The Shawneetown bank sold bonds amounting to \$900,000, but \$1,765,000 of bonds turned over to the State Bank were never sold but held as capital. While the State was thus to hold a majority of the stock in each bank, yet the private stockholders were still to have a majority of the Directors. The State Bank had five branches when organized; and the Bank at Shawneetown was afterwards authorized to open branches.

The two banks were made by law the agents of the State in the collection, receipt, transfer and disbursements of the internal improvement funds, and the State Bank of Illinois was made in effect the treasury of the State by an act requiring the Auditor to contract with it that it should receive upon deposit and disburse the State's revenue.

The notes of the State Bank were, in 1836, made receivable for taxes and all public dues; and after the resuscitation of the Bank of Illinois at Shawneetown its notes were given like currency in all payments to the State.

In 1837 the banks of Illinois, in common with others throughout the United States, suspended specie payments, in which action they were sustained by the Legislature, which legalized the suspension and, in 1841, for the first time granted the State Bank the privilege of issuing one, two and three dollar notes. Both the State Bank and that at Shawneetown were compelled or induced to make loans to the State.

In February, 1842, the State Bank with a circulation of \$3,000,000, made a disastrous failure, and the following June, the Bank of Shawneetown also failed, with a circulation outstanding of \$1,700,000. The circulation of the State at that time consisted almost entirely of the issues of these two banks. In 1842, Governor Ford estimated that the good money in the State in the hands of the people did not exceed one year's interest on the public debt. The paper of the two banks had been at a discount from the time the United States had refused to receive it in payment for the public lands and to make the banks depositories of public moneys. The discount at first was two or three per cent.; but during the two or three years previous to failure, it had increased to twelve and fifteen per cent. This large discount was not generally understood, for the reasons that the banks continued to make their notes the standard, and specie, when used, was received at a premium.

In 1842, by virtue of discretionary power lodged in them by the Act of 1836, the governor, auditor and treasurer of the State prohibited the reception of State Bank paper for taxes, and warned collectors against accepting that of the Bank of Illinois at more than its current value.

When the Legislature of the State met in 1842 and 1843, two plans were advocated for putting the banks in liquidation. One party, the minority, were in favor of repealing the charters and of the appointment of commissioners who should take possession of the property of the banks. The other party favored a compromise by which the State would at once be paid or nearly paid for the stock advanced by it. The State Bank held \$1,750,000 of State bonds, and \$290,000 in Auditor's warrants, together with scrip, amounting in all to \$2,100,000—the amount of the stock subscribed by the State.

The bank at Shawneetown was willing to pay \$500,000 immediately, and the remainder shortly. It held \$469,998 of Auditor's warrants, which it was to surrender as part of the first payment. After some opposition the moderate party prevailed and two Acts were passed—one to diminish the State debt and to put the State Bank in liquidation, and the other to diminish the State debt \$1,000,000 and to put the Bank of Illinois, at Shawneetown, in liquidation. Of the \$500,000 of circulation and certificates of deposit of the State Bank held by the public, about \$410,000 were redeemed and destroyed, leaving about \$90,000 unpaid. The two banks surrendered the stocks of the State issued to them, and by the direction of the Governor these stocks amounting to \$3,050,000, were cancelled and burned in the presence of the Legislature in the capital square at Springfield.

This experience seems to have been sufficient, for the people in the Constitution of 1848 provided that no State bank should thereafter be created, nor should the State own or be liable for any stock in any corporation or joint stock association for banking purposes to be thereafter created.

TENNESSEE.

The State of Tennessee was admitted into the Union in 1796. By 1819 its banking experience had been quite varied—commencing with the Nashville Bank in 1807, with several branches which were shortly afterwards wound up with some loss to billholders and stockholders; followed in 1811 by the Bank of the State of Tennessee, and in 1817 by a number of independent banks, most of which afterwards became branches of the Bank of the State of Tennessee; and ending in 1819 with the establishment of the Farmers' & Mechanics' Bank of Nashville which closed in insolvency within the year.

"In 1820, the State Bank of Tennessee was incorporated with a capital of \$1,000,000 on the basis of funds belonging to the State. It was located at Nashville with a branch at Knoxville. Agencies were created in every County to loan money to citizens not exceeding \$500 in any single loan, on twelve months' credit, upon mortgage on real estate or personal property worth double the amount. The bank was authorized by its charter to issue bills to order or bearer, upon the security of the borrower, guaranteed by the State, the proceeds of certain lands and other securities being pledged by the law.

No specie was required to be held, but State stocks to the amount of \$250,000 were issued to it, which it was authorized to sell at par. There was afterwards some doubt as to the meaning of par—whether specie or specie-paying bank notes.

\$1,000,000 of inconvertible bills were thus distributed in loans of \$500 among the community."†

Previous to the passage of this Act, General Jackson wrote, and was first signer of a pungent memorial to the Legislature denouncing the provisions and passage of the law. He declared it to be a violation of the tenth section of the first article of the Constitution, which declares that "no State shall coin money or emit bills of credit, or make anything but gold and silver a legal tender in payment of debts." In this memorial he says: "To any intelligent man who has directed his attention to the operations of banking institutions, his own experience and reflection will at once convince him that bills issued on any other basis, save that of specie, must prove inefficient and abortive, owing to its having no other basis but that of property, and not being convertible into specie, it can never be estimated as an equivalent; it will not engross public confidence, but must depreciate, and if it passes as a medium of exchange at all, its value must, in a great degree be nominal. These propositions have been satisfactorily illustrated by the fate of Davis' financial Mississippi scheme, of the Mississippi stock, and Treasury notes issued by the United States, as well as by all those cases in which State authorities have undertaken to put in circulation bills of credit, having a corresponding foundation."

The bill became a law notwithstanding this appeal, and General Jackson was censured by many of his friends for what was considered his indecorous interference and dictation to the Legislature of the State.*

"The bank went into operation with a Board of Directors appointed by the Legislature. It was claimed that the lands pledged to its support were worth one or two millions, that interest-bearing claims worth \$100,000, owned by the State, had been transferred to it, besides \$250,000 in 6% stock. Its paper, however, went below par. Two of the oldest banks in the State refused to accept it, and as compared with the notes of the Bank of the United States it was at ten per cent. discount. From the sales of the land mentioned the bank finally secured a capital of \$750,000, but in 1830 overdrafts to the amount of \$100,000 were discovered and the principal cashier was removed. It was found that the books had not in certain accounts been posted for eighteen years, and it appeared that the irregularities were in the interests of some who were high in authority. This bank closed in 1832, with some loss to the State."†

In October, 1832, the Union Bank, another institution based partly on State credit, was chartered with five branches, with a capital of \$3,000,000, of which the State was to own and control one-third; \$500,000 appears to have paid in by the State in 5% bonds, payable in equal installments, in 15, 20, 25 and 30 years. The notes of the bank were receivable for all dues to the State. In 1856 the stock of the State in this bank was transferred to the Bank of Tennessee.

In November, 1833, the Planters' Bank was chartered upon the model of the Union Bank, with a capital of \$2,000,000, located at Nashville, with six branches located at other points. The State had an interest in this bank also. Both of these institutions were in existence in 1863.

In 1838 the Bank of Tennessee at Nashville was incorporated with a capital of \$3,226,976, all owned by the State, derived from what was recovered from the old State Bank wound up in 1832, the school fund, the surplus revenue fund deposited with the State by the General Government in 1837, and the sale of State bonds to the amount of \$1,000,000. Its capital was nominally \$5,000,000, and it had several branches, located at Athens, Clarkesville, Columbia, Memphis, Rogersville, Shelbyville, Somerville, Sparta and Trenton. The school fund had originally been invested in the Planters' Bank, but was transferred to the new State institution. The bank and branches paid out each other's notes indiscriminately, and the mother bank was in the habit of redeeming the notes of its branches under an arrangement with the principal banks in Nashville, "made upon the suggestions of the other banks and always fulfilled strictly by this bank." It was required to pay annually to the State, for interest on internal improvement, bonds for school funds, interest and expenses on State stocks, etc., \$274,826. This heavy burden it could not carry, and in 1849 Governor Brown announced to the Legislature that its net annual profits were but \$175,000; that the capital had already been reduced from \$3,227,000 to \$2,500,000, and that at this rate the whole capital would be sunk in sixteen years. He recommended that the demands on the bank should be lightened or the institution wound up.

In 1855 Governor Johnston recommended the winding up of this bank, and the Legislature in 1853, in anticipation of this action, chartered seven stock banks to take its place.†

At an investigation into the condition of the bank in 1858, it appears that its

* H. F. Baker: Banking in Tennessee, *Bankers' Magazine* (N. Y.), Vol. XI., p. 82.

† J. J. Knox, in *Rhodes' Journal of Banking*, October, 1892.

capital stock, with the dates when paid into the bank, was composed of the following items :

1838.	Proceeds of \$1,000,000 6% State Bonds, payable 30 years after date, May 7, 1838, interest payable semi-annually in New York,.....	\$1,000,000.00
	School Fund.....	266,209.05
	School Fund from Ocoee lands.....	600,406.42
1839-40.	Surplus Revenue deposited with the State by Act of Congress.	1,353,209.45
1845.	Proceeds of sales of public lands.....	11,703.32
	Aggregate of cash capital actually paid into the bank.....	\$3,231,618.24
1856.	State stock in the Union Bank.....	\$625,600
	School fund stock in Union Bank.....	38,894
	School fund stock in Planters' Bank.....	232,700
		897,194.00
	Total amount of Capital Stock paid in.....	\$4,128,812.24

Of this last stated amount of capital, the bank reports \$761,074.92 to have been lost. The circulation outstanding January 1, 1858, was \$2,308,973. It also appears from this report that during this entire period—1838-58—the bank had paid :

Interest on State debt.....	\$1,472,157.95
For use of Schools and Colleges.....	1,298,000.00
Appropriations for River Improvement.....	68,375.66
Cash into the Treasury.....	1,391,988.97
Total.....	\$4,230,522.58

On the 1st of January, 1858, the bank had been in operation nineteen and a half years, and the amount of profits shown by its statement at that time proves that, estimating at their par value all the bills receivable, stocks, real estate, etc., then on hand, the average profit had been less than six per cent. per annum upon the actual capital which it had received ; and Governor Harris recommended that the interest of the State should at least not be extended.

The bank continued in business for several years longer. In January, 1861, it had \$1,313,728 notes still outstanding ; while its loans and discounts amounted to \$4,945,519.

In February, 1866, an act was passed requiring the Governor to appoint six directors to wind up the business of the bank, and in April of that year the Board of Directors made an assignment of all the assets to a trustee, who proceeded to wind up the bank in chancery. In 1866 he reported the entire assets, including worthless claims to be about \$16,000,000. When the available assets were finally distributed to noteholders *pro rata* provision was made for issuing certificates for the balance, which were receivable for taxes. An attempt was made in 1869 to convert the notes of the bank into bonds, but this failed. The holders of the notes were finally paid in full. But those who had money deposited with the State Bank never received any return.*

ALABAMA.

The Territory of Alabama was admitted into the Union as a State, December 14, 1819, with a Constitution containing provisions expressly designed to enable the State to embark in the banking business with the citizens of the State. The Constitution provided that one State bank might be established, with such number of branches as the General Assembly might deem expedient. Two-fifths of the capital stock was to be reserved for the State ; and the individual stockholders and the State were to control the bank and to be liable for its debts, in proportion to the stock held by them respectively. No bank was to commence business until half of the capital stock subscribed was actually paid, in gold and silver, which amount should in no case be less than one hundred thousand dollars. It was provided in this Constitution, that the then existing banks could become branches of a general State bank after the establishment of the same, upon such terms as the Legislature and the said banks might agree.

With such provisions in their Constitution, we can readily draw the conclusion, that the people of those days were very much like the Sub-Treasury men of the present times. They believed that there was a certain kind of legislative legerdemain by which a State could not only make money, but could make money plenty and cheap, and hence, they laid the foundation broad and deep in their organic law, for the establishment of banks for the State. At the first session of the Legislature after the State was admitted into the Union, an act was passed by the General Assembly entitled "An Act to incorporate the subscribers to the Bank of the State of Alabama," which was approved Dec. 21, 1820.†

* Phelan: *History of Tennessee*, p. 274.

† J. H. Fitts: Sketch of the State Bank of Alabama, in *Proceedings of the Second Annual Convention of the Alabama Bankers' Association*. 1891.

The object and design of this act was to afford the citizens of the State an opportunity to establish a bank on the principles set forth in the Constitution. The bank was to be located at the town of Cahawba, so long as it remained the capital of the State, and to be removed to the place where the seat of government was permanently established. The capital stock was not to exceed two millions, two-fifths of which was to be reserved for the State, and three-fifths raised by subscription from the people.

The act prescribed that the public money of the State should be deposited in this bank "when lying inactive," and the bank was to be organized under the name and style of "The President, Directors and Company of the Bank of the State of Alabama," so soon as one hundred thousand dollars of the subscribed capital stock was paid in gold and silver. The bank was to be governed by thirteen directors, to be elected annually by the stockholders, by a certain scale of voting, by which a stockholder having ten shares would be entitled to five votes, while one having a hundred shares would have twenty votes, and if the State or an individual held five hundred or more shares, neither could have but thirty votes. All the efforts to organize a bank under this act proved a failure, which was owing to the inability on the part of the superintendents to get the requisite amount of capital subscribed; and this inability of the superintendents to obtain subscriptions was caused, doubtless, by the indisposition of the capitalists of those days to go into banking on such communistic principles. No matter what may have been the cause of this failure, the effect upon the people was simply to increase their zeal and the determination to have a State bank, and this they resolved to have, even if the State was required to furnish all the capital. In carrying out this determination an act was passed on the 20th of December, 1823, which will forever be memorable in the history of Alabama. This was an act entitled, "An Act to establish the Bank of the State of Alabama." The preamble to this act is in the following words:

"Whereas, It is deemed highly important to provide for the safe and profitable investment of such public funds as may now or hereafter be in the possession of the State, and to secure to the community the benefits, so far as may be, of an extended and undepreciating currency; Therefore be it enacted," etc.

"In the light of the future history of this bank, we will discover that the efforts to provide a "safe and profitable investment" for the public funds proved unsuccessful, but that the high hopes expressed in this preamble as to an "extended currency," were fully realized, for the notes of the bank were extended over the country to such an extent as to be worth only from fifty to seventy-five cents on the dollar. The provisions of this act, passed the twentieth of December, 1823, "To establish the Bank of the State of Alabama," are in many respects similar to those contained in the act of Dec. 21, 1820. The principal differences, however, were of a very marked character. The capital of the Bank of the State established under this act of 1823, was not limited to any amount, and was to be furnished by the State alone without any stock being taken by the citizens. Its management was intrusted to a president and twelve directors, to be elected annually by a joint vote of the General Assembly.

"The only limit on the amounts of the notes which could be issued was as follows: In such sums as the president and directors might deem 'most expedient and safe,' and the only restriction whatever, was that no notes could be issued for circulation of a less denomination than one dollar, and this restriction was soon removed by the Legislature,"* resulting in the issue of notes for 6¼ cents, 12½ cents, 25 cents, 50 cents, and 75 cents, redeemable when presented in sums of \$5.00.

Various public funds were set apart by the act to constitute a part of the capital of the bank, among which were the proceeds derived from the sale of the lands donated by Congress for schools, amounting to about \$1,300,000, and some \$500,000 of funds of the University of Alabama. \$100,000 of State stock, to which was added in 1828 an additional like amount, was issued and sold for the benefit of the bank. This, however, was only the beginning. Between 1832 and 1837 the State issued bonds to the amount of \$13,800,000 for the increase of the capital of the State Bank and to assist it in resuming specie payments. Of these bonds nearly \$4,000,000 are included in the present indebtedness of the State.

The money to be loaned by the bank, was required to be apportioned among the several counties in the State in proportion to their representation in the General Assembly. No individual, partnership or corporation (University of Alabama alone excepted) was permitted to be indebted for a greater amount than \$2,000, though the president and directors seem to have been able to borrow almost any amount.

The principal office was at Tuscaloosa. Three branches were established in 1834 and one in 1835, located at Mobile, Montgomery, Huntsville and Decatur,

*J. H. Fitts: Sketch of the State Bank of Alabama.

respectively, all of which suspended specie payments in 1837. The charters of all these branch banks were repealed at the session of 1842-43.

The following statement shows the capital, amount of notes in circulation, etc., for different dates :

	1826.	Nov., 1834.	Nov., 1837.	Nov., 1841.	Nov., 1844.
Capital Stock.....	\$253,646	\$1,708,948	\$6,899,248	\$11,072,934	\$10,356,484
Notes in Circulation.....	273,507	2,446,867	6,676,050	7,026,102	3,128,276
Individual Deposits.....	164,735	986,707	3,605,180	833,089	197,786
Loans and Discounts.....	448,859	7,267,211	20,642,473	19,212,247	13,701,500
Specie.....	141,330	778,013	540,767	1,247,059	62,218
Notes of other Banks.....	109,210	141,738		255,307	82,077

In 1844 the bad debts were estimated to be \$6,292,599.

By December 1, 1847, the total outstanding circulation of the Bank and branches had been reduced to \$457,177, as to which the commissioners then reported that, while not convertible into specie, the notes had appreciated in value and for some time past had been almost at par with specie. The discount was less than one per cent.

Before many years had passed scandal in reference to the relations of directors to the bank and to members of the Legislature became so marked that a Legislative investigation was ordered. This, however, was hushed up and the evidence taken never given publicity.

The charter of the State Bank expired by limitation in 1845, and the task of winding up its concerns was conducted by commissioners, whose labors were far more faithfully performed than those of the previous management. The result was the collection of a sufficient sum from the assets to reduce the bonds issued in aid of the bank from \$14,000,000 to less than \$4,000,000, but leaving a dead loss of the latter amount, as well as the special funds invested.

The State also owned two-fifths of the stock in the Bank of Mobile—the only other bank in the State during the greater part of this period.

But the experience of the State had been sufficient, and the door to further ventures of the sort was finally closed by the Constitution of 1867, which provided :

“The State shall not be a stockholder in any bank, nor shall the credit of the State ever be given or loaned to any banking company, or association or corporation.”

LOUISIANA.

March 14, 1818, Louisiana had authorized a subscription of \$500,000 toward the capital of \$2,000,000 in the Louisiana State Bank. The State was to appoint six out of eighteen directors. The bank was required to pay a bonus of \$100,000 to the State, in consideration for which “the stock and real estate belonging to the said bank shall forever during the continuance of its charter, be exempt from the payment of any State tax.” Inasmuch as only \$100,000 was ever actually subscribed and as both bonus and exemption from taxation were also characteristics of subsequent charters to other banking institutions, this bank can hardly be considered as a State institution.

April 7, 1824, the Bank of Louisiana was chartered, with a capital of \$4,000,000, one-half of which was subscribed by the State. For the State subscription the issue of 5% bonds was authorized at the rate of \$100 in bonds for every \$83½ of stock, payable at intervals from ten to twenty-five years from their dates. These were to be sold by the bank for specie. The interest was to be paid from the dividends upon the bank stock, any deficiency that might occur being paid by the bank and charged to the account of the State. Of the thirteen directors six were to be appointed by the Governor on behalf of the State. Five branches were required to be opened.

In 1826 the General Assembly seems to have become provoked at the delay in declaring dividends and insisted upon the declaration of a dividend upon the State stock at least. The difficulty experienced in controlling the institution led to the appointment of a seventh director on the part of the State and an act requiring semi-annual dividends of profits. In 1827 the profits accruing to the State were sufficient to permit \$300,931 of the bonds to be called in and paid, which was authorized by a resolution of March 24 of that year.

In 1844 the Treasurer of the State was authorized to sell 12,000 shares of the stock of the Bank of Louisiana for the purpose of raising funds to pay the bonds, \$1,200,000, falling due in 1844 and 1849. The bank itself purchased the bonds, becoming thereby obligated to redeem both series of bonds, which it punctually did. The remainder of the stock was also directed to be sold in 1844 for the purpose of meeting other bonds falling due.

In 1832 the State incorporated the Union Bank of Louisiana, with a capital of

\$7,000,000. This was an institution established on precisely the same foundation as the Union Banks of Florida and Mississippi mentioned elsewhere. The subscribers of the stock paid in nothing, merely giving a mortgage to cover the amount of subscription; and the actual capital was derived from the proceeds of the \$7,000,000 bonds issued by the State for the purpose. Six of the twelve directors were appointed by the Governor on behalf of the State. The State reserved the right to borrow from the bank \$500,000 at interest, and each stockholder was entitled to a credit equal to one-half the amount of his shares. The State for its guaranty was to receive one-sixth of the profits of the institution. The bank seems to have been managed no better than the most of the property banks of the same style in operation in other States. It failed in 1842 with its assets in such shape that the collection of anything from them was a slow and difficult matter. The proceeds, as realized, were turned toward the payment of the interest and principal of the \$7,000,000 bonds issued by the State on behalf of the Bank. January 18, 1853, the Union Bank deposited with the treasurer \$21,000 to secure the State against any loss for twenty-one bonds not returned. These—the last of the issue—were afterwards returned and cancelled.

The State also issued in aid of the Consolidated Association, bonds to the amount of \$2,004,000; and in aid of the Citizens' Bank, additional bonds to the amount of \$8,000,000, of which \$7,188,000 were finally sold. Both these institutions were upon precisely the same basis as the Union Bank, *i. e.*, the sale of the bonds issued by the State was to furnish the actual capital, and the stockholders were to secure their subscriptions by mortgages on real estate. In the case of the Consolidated Association, the State, for its guaranty, was considered as stockholder for \$1,000,000. Dividends were to be declared only as the bonds were paid, and in the same proportion. The profits till then were to be retained as a sinking fund to meet the redemption of the bonds. The case was the same with the Citizens' Bank, except that the interest of the State in the net profits was one-sixth, as in the case of the Union Bank. Both these institutions were put in liquidation in 1842.

By 1858 the bonds issued by the State for the Citizens' Bank had been reduced from \$7,188,000 to \$5,300,000, for which the State still retained a first mortgage on the \$14,000,000 real estate of the stockholders mortgaged by them to secure their stock. In the years 1842–1848 \$1,000,000 had been raised by assessments upon the stockholders. In 1852 the Citizens' Bank was reorganized upon an entirely new basis, the distinctive feature of which was the separation of the bank into two departments—a banking department and a mortgage department. Immediately the banking department assumed an important place among the banking institutions of the State—its circulation reaching \$4,089,000 by January, 1860.

The State definitely renounced the banking business in its Constitution of 1852 by the clause: "The State shall not subscribe for the stock of, nor make a loan to, nor pledge its faith for the benefit of any corporation or joint stock company created or established for banking purposes."

From the following table can be gathered something of the course of these banks in respect to their circulation:

Date.	Circulation Louisiana Bank.	Circulation Union Bank.	Circulation Citizens' Bank.
July, 1835.....	\$751,987.00	\$1,428,045.00	.....
Jan. 23, 1837.....	841,190.00	1,476,445.00	\$372,110.00
Dec. 23, 1837.....	398,000.00	1,564,580.00	410,545.00
Dec. 3, 1838.....	141,742.00	967,410.00	161,995.00
Oct. 21, 1839.....	292,722.00	638,470.00	428,450.00
Feb. 1, 1840.....	261,747.50	964,630.00	308,725.00
Dec. 5, 1840.....	257,552.00	981,695.00	.....
Mar. 26, 1842.....	276,277.50	447,170.00	.....
Jan. 1, 1843.....	341,216.50	148,325.00	.....
" 1, 1844.....	673,389.50	68,335.00	.....
" 1, 1845.....	776,644.50	30,580.00	.....
June 1, 1845.....	998,565.50	29,445.00	.....
Apr. 25, 1846.....	1,351,509.00	27,010.00	.....
Jan., 1847.....	965,777.00	26,350.00	947,163.00
Jan., 1848.....	1,026,640.00	26,135.00	.....
Nov., 1848.....	1,126,782.00	26,005.00	246,975.00
" 1849.....	1,222,217.00	25,935.00	11,176.00
Dec., 1850.....	852,909.00	25,725.00	11,061.00
Oct. 30, 1852.....	1,249,484.00	25,520.00	6,027.00

GEORGIA.

Georgia's earlier ventures in the banking business were not such as to involve her deeply. They amounted to little more than State subscriptions to bank stock.

A good illustration is the case of the Bank of the State of Georgia, incorporated in 1815 with a capital of \$1,500,000, of which \$600,000 was to be reserved for subscriptions by the State. The bank was to be managed by fifteen directors, six of

whom were selected by the Legislature on behalf of the State. The number of directors was afterwards reduced to ten, apportioned in the same ratio between the State and private stockholders. The bank was required to open at least two offices—one in Augusta and the other in Milledgeville—and was permitted to maintain as many more as it should choose.

The Governor was authorized to borrow the money to pay up the State's subscription; and a room in the State-house was fitted up for the use of the bank, the bills of which were made legal tender for all taxes or other debts or demands due the State.

Three years later the Bank of Darien was incorporated on a basis somewhat similar. One-half of the capital of \$1,000,000 was reserved for the State,* which also chose five out of the ten directors. In a like manner the State subscribed for a portion of the stock of the Bank of Augusta and the 'Planters' Bank of Georgia. The bills of these banks do not seem to have been made receivable for taxes and State dues, as were the bills of the Bank of the State.

Complaints of sufferings by the people by reason of unsatisfactory financial condition seem to have been frequent. About 1824-7 these complaints became very loud—so pressing that in 1828 the Legislature attempted to relieve the planters by establishing a bank on the funds of the State. This was the Central Bank of Georgia. The preamble of its charter is suggestive:

"Whereas, it is deemed expedient and beneficial, both to the State and its citizens, to establish a Bank on the funds of the State, for the purpose of discounting paper, and making loans upon terms more advantageous than has heretofore been customary."

The capital of the "Bank established in behalf of the State of Georgia at Milledgeville," consisted of "the money in the treasury not otherwise appropriated, the shares owned by the State in the Bank of Augusta, Planters' Bank, Bank of the State of Georgia, and Bank of Darien; all bonds, notes, specialties and judgments due the State, and all monies arising from the sale of fractions and town lots heretofore made (and hereafter to be made), and all other debts and monies at any time due the State." All taxes thereafter collected and all income arising from dividends on stock in other banks was to be deposited in the Central Bank "to aid and facilitate its operations." All three directors were appointed by the Governor. The total amount of debts which the bank might contract was limited to the amount of its capital; while the issue of notes was restricted to the aggregate of specie and bills of other banks in its vaults.

Loans were to be apportioned among the several counties of the State as nearly as possible in proportion to population.

In 1830 a Legislative committee reported "That the State of Georgia by the establishment of her banking institutions, had two great objects in view:—The one to furnish to her citizens a safe and convenient medium of circulation to the exclusion of the bills of the Banks of other States; the other to enable her to have the funds of the State profitably invested in bank stock." This committee complained of hardships to which the banks had been subjected by the branch of the United States Bank at Savannah, and recommended that, while paying specie to all others, the banks be permitted to refuse specie to the United States Bank.

The bank was the fiscal agent of the State and whenever, as often happened, the funds at the disposal of the treasurer were insufficient to meet the expenses of the State government, the bank was directed to place to the credit of the treasurer a fund sufficient to meet the deficiency. Such advances were charged to the capital of the bank.

The bank seems to have kept well within the limit as to note issues. At the close of the first year its circulation outstanding amounted to \$263,409; while it held in specie and specie funds \$392,829.52. At the end of the third year, December 26, 1831, the committee reported the circulation to be only \$111,996; while it held specie \$80,656, notes of United States Bank \$50,805, other bank notes \$108,653; total specie and specie funds \$250,064.

In December 1834, the circulation amounted to \$226,246; covered by specie \$132,134 and Bank notes \$124,227. The bank had now been in operation six years, and the committee reporting its affairs to the Legislature, called attention to the fact that in some respects its interests were not guarded with sufficient care by the management, having "observed with regret that more than \$200,000 of discounted

* In 1850 *seven-tenths* of the stock of the Bank of Darien seems to have been owned by the State. This bank was then insolvent, and a legislative committee reported that the Central Bank held at the time \$90,000 of the bills of the Darien Bank "which have long since ceased to answer any of the purposes of money except at a great depreciation; to which the State ought not to submit, she being ultimately liable for the redemption of seven-tenths of them when the capital of that bank shall have been lost—if indeed, *that* yet remains to be done." The committee recommended that the bank should be put in the hands of commissioners who should wind up its affairs as rapidly as possible.

paper is lying unattended to." Various means were resorted to, to secure more prompt realization upon discounted paper past due; but the condition seems never to have improved.

January 1, 1836, the capital of the bank was given as \$2,496,175, of which \$1,005,000 consisted of stock in other banks. The remainder of the capital was mainly loaned to individuals throughout the counties, in accordance with the charter. Upon the receipt of the surplus revenues distributed to the State in 1837, the capital of the Central Bank was increased by the addition of \$1,051,422 from that source.

In 1839, the charter was so amended as to permit the issue of notes to the amount of twice the capital, a privilege of which advantage was immediately taken. By November, 1840, the circulation had increased to \$992,336. In 1841 the issue of \$300,000 in \$1 and \$2 bills was authorized, to be used only in the redemption of bills of higher denominations. In 1841 the paper of the Central Bank is reported as constituting a large portion of the circulation. In October, 1842, it amounted to \$1,453,853. But the years of financial crisis just passed had wrought havoc in the bank's assets, and the Legislature decided to wind up its affairs. In 1840 the issue of 8% State bonds, not to exceed \$1,000,000, was authorized for the purpose of redeeming and retiring the notes of the Central Bank. The faith and credit of the State was pledged for their payment, but they were to be regarded as a debt due by the Central Bank, the assets of which, as fast as realized, were required to be appropriated to the payment of the interest and principal of the bonds. The bonds were made redeemable in five years, but at the expiration of that time, the assets were not sufficient to redeem them, and they were continued at 7%. The bank had already been authorized to sell any of the Bank stocks it held for the purpose of securing funds to meet the demand, but sales were few. The process of converting its other assets was continued; but after eleven years, in 1850, there still remained \$794,074 of bank and other stocks, and \$564,351 of uncollected discounted bills. The circulation had by that time been reduced to \$15,875.

The charter was twice extended for the purpose of enabling it to wind up its affairs; but the collection of the assets was very slow, and in 1856 those that remained were turned over into the common fund of the State treasury, which had already found it necessary to raise money to meet the interest and principal of the bonds issued on behalf of the bank. This ends the history of the Central Bank of Georgia. Noteholders and individual creditors seem to have lost nothing in the end; but the State lost a large amount—just how much it is impossible now to say. But the greater part of the State's share of the "surplus revenues" was thus sunk, as well as the funds originally invested by the State in bank stocks.

FLORIDA.

During its existence as a Territory, Florida had a banking experience which, in comprehensiveness and interest, can be rivalled by few of the States of the Union. Up to 1833, three banks had been chartered by the Territorial Legislature, all of which either had received or afterwards did receive aid from the Territory—the Bank of Pensacola bonds to the amount of \$500,000 guaranteed by the Territory, the Southern Life Insurance and Trust Company to the amount of \$400,000 in the shape of guaranty of certificates of the company, and the Union Bank of Florida by the issue of bonds amounting to \$3,000,000.

The scheme of these banks appears to have been that followed by many of the State banking institutions, especially in the Southern States, in the same decade. The basis of the system, and the feature which distinguishes it from the State institutions owned in whole or in large part by the State, lies in the fact that the State was not a stockholder at all; but merely loaned to the bank its credit in the shape of bonds, from the sale of which the working capital of the bank might be obtained, thus leaving the stockholders under no necessity of furnishing any actual capital, and even giving them the opportunity of borrowing for themselves the greater part of the capital which might be derived from outside by the sale of the bonds of the State.

The history of the Union Bank of Florida, the largest of the three institutions in that Territory which have already been named, illustrates fully all the foregoing points. It was chartered by the Territory of Florida on February 12, 1833—about ten years after the organization of the Territory. It was to have a capital of \$1,000,000, with the privilege of increasing to \$3,000,000. Commissioners were to be appointed to receive subscriptions, and when 3,000 shares of \$100 each were subscribed, the Governor was to appoint twelve directors, to remain in office until February 1, 1834, after which date seven directors were to be annually elected by the stockholders and the remaining five to be appointed by the Governor. The

subscribers were not to pay any part of their shares in money, but to secure their subscriptions by bonds and mortgages on real estate and property worth twice the amount for which it was pledged. The bank was to borrow its whole capital; and to enable it to do so bonds were to be issued to the bank signed by the Governor, for the payment of the principal and interest of which the faith of the Territory was pledged. The bank, however, was to pay the interest and principal as it came due, and no provision further than pledging the faith of the Territory was made for their payment in the event of the bank failing to pay; but all the profits of the bank were to be applied to the payment, and after they were all paid then one-half of the surplus profits was to belong to the Territory. Books of subscription for the stock were opened at Tallahassee, Pensacola and Marianna on April 10, 1833, and the books were closed January 22, 1835. Eleven thousand, four hundred and eighty-five shares were subscribed by 118 individuals; and 9,177 shares were allotted to 94 subscribers. The Board of Directors was duly appointed when 3,000 shares had been subscribed.*

In April, 1834, the bank had received 360 bonds of \$1,000 each from Governor William P. Duval, and in the following September contracted with parties in New York to dispose of 1,000 bonds of the Territory of Florida. The remaining 640 bonds necessary to make up the amount were obtained from Governor Eaton on February 10, 1835. These bonds became due, one-fourth on January 1, 1858, and the remaining three-fourths on January 1, 1860, 1862 and 1864 respectively. A capital of \$1,000,000 being thus obtained, the bank commenced business on January 16, 1835. By the second of January, 1836, the return made to the Legislature showed liabilities amounting to \$1,728,605, of which \$335,150 was for circulating notes issued. Their loans showed \$589,832.51 loaned on stock. The Committee of the Legislature reporting on the bank in 1840, says: "The charter intended that two-thirds of the money borrowed by the sale of bonds should be loaned on long mortgages to the subscribers who had taken up the shares and given their property as security or pledge for the payment of the bonds when due, and that the remaining third should remain in bank to perform a legitimate banking business. The sum borrowed (\$1,000,000) properly distributed and prudently managed was at the time quite sufficient to have relieved the planting interest from pressing embarrassment and to have performed all the purposes reasonably required by merchants. Regardless of these considerations and all principles of prudence and sound policy, the Union Bank, with an apparently singular impatience, not only distributed its borrowed capital among stockholders and others upon terms which precluded its being repaid within any reasonable time, but it also extended these imprudent loans upon the capital based upon circulation and deposits."

The bank had, in 1837, \$110,000 cash means to meet \$675,704 of immediate liabilities. The act of incorporation provided that at any time after the bank had been in operation one year the capital might be increased to \$3,000,000 and additional bonds to an equal amount obtained from the Territory. Books were opened in October, 1837, for the new subscriptions. There was no difficulty in obtaining them. At the time of the first subscription there was some doubt about the bank's capital, and the people were indifferent. The idea of a bank founded on borrowed capital had not before been well understood; now it was perfectly comprehensible. The charter of the bank was an Eldorado; it authorized a further issue of \$2,000,000 in bonds. The first 1,000 bonds had been readily, spontaneously, unexpectedly converted into money; could there be any doubts as to the sale of the rest? Between October and February, 404 persons had subscribed their names for shares in various amounts aggregating \$8,000,000 instead of \$2,000,000. Out of 19,812 new shares allotted at this time, 88 old stockholders, then holding 8,897 of the 10,000 old shares, received 17,156. On the first of January, 1838, Gov. R. K. Cull executed 2,000 bonds of \$1,000 each, which were delivered to the Bank in March. The bonds were known as "Faith" bonds and were to be sold at not less than par. There was much dispute as to what was meant by par—one party contending that it meant specie in New York and the other (the bank) that it meant par in Tallahassee. The president of the bank was made agent for the sale of the bonds and visited various points in Europe where he disposed of 1,280 of the bonds and realized \$1,374,901 in Florida bank paper. Sixteen more bonds were afterwards sold, and though the remaining 704 were repeatedly offered for sale, they were never directly sold, being finally hypothecated for debts of the bank. The money thus secured was loaned out on security of stock or mortgages, mainly to stockholders, it being claimed that great favoritism was shown in the distribution of loans and the appraisalment of the property of the favored borrowers. On the 1st of January, 1840, the loans on stock aggregated \$1,830,642. The circulation seems

*J. J. Knox, *Rhodes' Journal of Banking*, September, 1892.

to have reached high water mark in 1839, standing at \$551,747 on the 1st of January of that year.

In 1839 and 1840 the banking operations of this and other Territorial institutions attracted the attention of the Government of the United States, and the question of the legal right of a Territory to charter a banking institution was warmly discussed. A Senate resolution, December 30, 1839, requesting the President to obtain from the authorities of the Territory full information about the issue of Territorial bonds and incorporations led to the appointment of a committee of the Legislature of Florida to examine and obtain the necessary information. The report of the committee was very unfavorable to the bank, but as the latter had still some resources remaining, and as there was reason to suspect some members of the committee of personal animus, the managers of the bank were able to make what was at least a plausible reply.

After the admission of Florida as a State, the Union Bank as well as one or two other banking institutions chartered under the Territorial government attempted to secure recognition of their charters from the State government. But the State disregarded their claims altogether. "The fact is," writes the Secretary of State in 1848, "that the authorities of the State have scrupulously avoided any communication with these institutions by which a recognition of their pretended charters or legal existence might be attributed to the authorities of the State. They are never referred to in our public acts except with significant qualification, such as 'alleged,' 'pretended,' or 'claiming banking privileges,' etc. There are but two associations of this character which *pretend* to have any organized board of directors, viz., The Union Bank of Florida, and the Southern Life Insurance and Trust Company; and, indeed, the organization of a board for the latter exists only, I believe, in *pretence*, not in fact. They do no business beyond settlements occasionally of old claims and liabilities. The circulating notes (or rather notes intended for circulation) of the Union Bank are worth not more than twenty cents on the dollar; and those of the Southern Life Insurance and Trust Company are not even so valuable."

ARKANSAS.

Arkansas became a State in 1836, with a Constitution, one article of which provided that:

"The general assembly may incorporate one State Bank, with such amount of capital as may be deemed necessary, and such number of branches as may be required for the public convenience, which shall become the repository of the funds belonging to or under the control of the State; and shall be required to loan them out throughout the State, and in each county in proportion to representation. And they shall further have power to incorporate one other banking institution, calculated to aid and promote the great agricultural interests of the country; and the faith and credit of the State may be pledged to raise the funds necessary to carry into operation the two banks herein specified: *Provided* such security can be given by the individual stockholders as will guarantee the State against loss or injury."

At the first session of the Legislature the Committee on Banks and the Committee on Revenue held a consultation and conceived a plan by which a State bank, established by and with the property of the State, would, when put in successful operation, free the people from all future taxation. The surplus revenue of the United States Treasury had just been deposited with the State. This sum was made a portion of the capital of the State bank; other funds belonging to the State were devoted to the purpose; and in addition, the State authorized the issue of \$1,000,000 in 5 per cent. bonds for the benefit of the bank. Until the bank should get under way and begin to make dividends, a tax levy of one-eighth of one per cent. was imposed upon the taxable property of the State. As it was doubtful whether the proceeds of this levy would meet the expenses of the State government, any deficiency, if it should occur, was to be paid by the bank from moneys deposited with it.*

The capital being provided exclusively by the State, it was natural that the bank should be controlled by a president and directors appointed by the General Assembly. The principal bank was to be at Little Rock, with branches at Batesville and Fayetteville. By a subsequent act a branch was established at the Post of Arkansas.

In the spring of 1837 an arrangement was made with the U. S. War Department for the sale of \$300,000 of the bonds; but before it could be carried into effect the banks throughout the United States suspended specie payments, and only \$100,000 had been realized. Likewise only a small part of the surplus revenues allotted to Arkansas was received in the form of specie, so that on the 8th of August, 1837, when the main office of the bank commenced discounting, it possessed only about

* The fact that the deficiencies were such as to withdraw from forty to sixty thousand dollars annually from the bank was one of the causes that led to its downfall. The whole amount of the surplus revenue received from the United States Treasury was absorbed in this way by the end of the year 1845.

\$90,000 in specie and \$66,000 in notes of Ohio and Kentucky banks. By November 6, 1837, its capital actually paid in had increased to \$413,106, derived from the following sources :

Sale of State bonds.....	\$100,000.00
United States Surplus Revenue.....	286,156.49
State funds.....	26,948.80

Of which \$102,925 was in specie ; \$113,800 in treasury drafts ; and the remainder in the notes of non-specie paying banks of Ohio, Kentucky, Louisiana and Mississippi.

As the banks throughout the Union were then in a state of suspension the managers of the Bank of the State of Arkansas deemed it unadvisable to issue many notes payable on demand ; but issued instead notes payable twelve months after date. "One of the objects professedly in view in establishing this bank," observed a Legislative committee in 1857, "was that of supplying the State with a sound circulating medium ; and it commenced operations by circulating the notes of distant and non-specie paying banks, some of which ultimately proved to be absolutely worthless, and by issues of its own, which, as they increased the mass of notes not redeemable in specie, served still further to depreciate the currency and increase the difficulty of resuming specie payments." At the next session this policy of issuing post-notes was sanctioned by the Legislature and each branch authorized to issue such notes not exceeding \$2 for \$1 of capital paid in.

Great difficulty being experienced in negotiating any more of the 5 % bonds authorized, the Legislature in November, 1837, authorized the issue of \$1,000,000 in 6 % bonds—this in addition to the small amount of bonds already sold. The whole issue was sold to the North American Trust and Banking Co., at New York, securing to the bank \$300,000 at once, and the balance at monthly intervals for the next two years.

Meanwhile specie continued to bear a premium, sometimes as high as 10 to 15 per cent., over the past notes of the bank, which constituted the chief currency of the State. The amount of these had been \$241,943 in July, 1838. But with the increase of the capital by the sale of bonds, as above, business increased. According to a statement of November 5, 1838, the paid up capital of the bank and branches amounted to \$1,363,105.29 (including \$670,000 due from the North American Trust and Banking Co.). The loans and discounts at the same time were \$763,737, and circulation \$461,775, of which only \$83,840 was payable on demand. The rest, \$377,935, consisted of post notes not yet due.

The condition of strength thus exhibited lead to a resumption of specie payments January 1, 1839. But even when the bank and its three branches all professed to pay specie on demand, they resorted to such means as were in their power to make that demand as light as possible. The chief contrivance was that each branch (with the possible exception of the branch at the Post) should pay out not its own notes, but the notes of some distant branch. Thus it happened that the circulating medium of Little Rock consisted mainly of notes of the Fayetteville branch. They were receivable for bank debts, but were at a discount of two per cent. for specie.

By an act passed December 18, 1838, an effort was made to extend the supposed advantages of the system by authorizing the establishment of an additional branch at the town of Washington with a capital of \$300,000 to be raised by the sale of new six per cent. bonds. The branch was never established for the very good reason that the bonds could not be sold.

The bank and branches suspended specie payments again in November, 1839, at which time their aggregate capital paid in amounted to \$1,501,088, and outstanding loans and discounts (mainly running from six months to one year or more) \$1,544,617. Thus the loans and discounts exceeded the capital by only \$43,529. This was very different from what the founders of the system had expected. They had supposed that, "through the banking privilege of issuing three to one," a million of capital borrowed from abroad would perform the functions of three millions.

At this time the circulation of the bank and its branches amounted to but \$301,310, and the specie in their vaults \$264,100.

The latter part of 1839 and the early part of 1840 were troublous times for the bank and branches. It was only by suspension that they had been able to continue to give "relief," a considerable share of which was desired by the directors themselves. The North American Trust and Banking Co., which had purchased the bonds for the bank, several times dishonored drafts upon it, and sought delay in payment of amounts still due on the bonds. In New Orleans at this time Arkansas notes were quoted at 25 % discount.

On October 1, 1840, the principal bank at Little Rock resumed specie payments—its circulation at the time amounting to but \$32,340 and its specie \$69,117.75. The

branches, however, refused to resume, and denounced the parent bank for its action.

By this time the capital of the bank had become so involved in loans which could not be collected, that, added to the dishonesty of the cashier at one branch, and the excessive loans to directors at all, the condition was anything but satisfactory. The bank managed to raise the \$33,650 to pay the semi-annual bond interest due July 1st, 1841, and paid \$8,968.13 toward the interest for January 1, 1842—which was the last payment of interest on State bonds ever made by the bank.

In 1843 the Legislature placed the Bank of the State in liquidation, the assets being transferred to receivers appointed by the Legislature. The assets of the bank and branches at that time were: Loans and discounts, \$1,410,563.18; other assets, \$355,887.84; loans to State of Arkansas, \$161,774.17; specie, \$62,948.93; total, \$1,991,174.12. The liabilities at the same time were:

Principal of 5 % bonds.....	\$169,000.00
“ “ 6 % “	1,000,000.00
Unpaid interest to July 1, 1843.....	126,781.77
Funds invested by State.....	72,632.82
U. S. surplus revenues.....	268,045.89
Notes in circulation.....	216,930.00
Due depositors.....	56,633.35
	<hr/>
	\$1,910,023.93

On the notes and bills due the bank the annual interest was upward of \$100,000: while on the bonds issued and sold for the benefit of the bank it was but \$68,450. So that if the loans had been such as to insure prompt payment of the interest there would have been no difficulty in meeting interest payments on the bonds.

But the financial revulsion had effected Arkansas, as it had the whole U. S., and the prospects of collecting either interest or principal in the case of much of the paper held by the bank were poor. The whole amount collected by October, 1844, a period of sixteen months, was but \$159,111.04.

The notes were still the chief circulating medium of the State though they were at a discount of 50 per cent., as compared with specie. The Legislature in 1845 also authorized the issue of Treasury warrants, receivable for taxes and also for debts due the State bank. Governor Drew in his message for 1846 dwelt at some length on the inconveniences of this currency. “If \$1,500 is a fair salary for a judge of the Supreme Court, and he receives that amount in scrip worth \$750, he feels himself disappointed when he recurs to that portion of the constitution of the State that provides that such salaries shall be neither raised nor diminished during his continuance in office. In the present state of our finances his salary is subject to variation every week, dependent upon jobbers in this species of paper, that rarely ranges in the market above one-half of its face.”

The receivers continued the collection of debts due the bank and by October, 1858, had collected no less than \$1,280,628. Of this, \$925,174.35 was paid in the bonds of the State (\$553,000 principal and \$372,174.35 accrued interest) which had been made receivable for debts to the bank. The unpaid interest, however, which had accrued upon the remaining bonds in the meantime left the total debt on them, October 1, 1858, \$1,247,142.50—only \$48,638.67 less than in 1843. The State in these years had drawn from the bank \$373,293—being the whole of the funds invested by it in the bank, together with about \$15,000 dividends declared thereon. The outstanding circulation had also been redeemed—mainly received in payments to the banks or by the State tax collectors. The State accountants in 1858 reported that the larger part of the remaining assets were uncollectible, and that \$100,000 would probably cover everything that could thereafter be realized.

This left the State to provide for the payment of the principal and interest of the remaining bonds.

The Real Estate Bank.

By the creation of the State Bank the Legislature had fulfilled the expectations held out by the earlier part of the section of the Constitution quoted above. They even more promptly fulfilled—or attempted to fulfill—the expectations raised by the Constitution as to “a banking institution calculated to aid and promote the agricultural interests.” For while the second act passed at that memorable first session of the General Assembly of Arkansas was that “to incorporate the Bank of the State of Arkansas,” the very first had been “An Act to establish the Real Estate Bank.” This was an institution modeled upon the plan of the Union Banks of Florida and Louisiana. The subscribers to the stock were required to pay nothing in, but merely secured their subscriptions by mortgaging their real estate. The value of the property thus mortgaged was reported by the president in November, 1837, to

be \$2,603,000. The working capital of the institution was obtained by the issue of State bonds, of which \$2,000,000 were authorized. These, however, it was found impossible to sell until after the resumption of specie payments in the northeast had in some degree restored public confidence. In September, 1838, \$500,000 of them were sold to the Secretary of the United States Treasury for the investment of certain funds of the Smithsonian Institution, and \$1,000,000 of them to the North American Trust and Banking Company at New York. The remaining \$500,000 were never sold, though in 1840 an attempt was made to raise money by hypothecating them.

On the 12th of December, 1838, the head office of the bank at Little Rock opened its doors for business, which began with a rush. The offices at Helena, Columbia and Washington followed, upon February 15, March 5 and April 1, 1839, respectively. By their combined action the loans and discounts aggregated \$1,290,339.22 by May 29th, and by the following November, \$1,585,190.80. In spite of the fact that its total circulation at the time amounted to but \$156,910, to meet which it had in specie \$111,967.54, the bank suspended specie payments on November 2d, 1839. No reason for this action can be found except that the managers were bent on giving "relief," and wished to extend their loans and discounts further than would be practicable if they continued to pay specie. Indeed, this was the motive conceded by the president in a sort of proclamation issued at the time, from which the following is an extract :

"As long as the bank paid specie it was found impossible to keep out as much money as the public wants and the business of the country rendered proper. * * * * It cannot but be proper that a prudent expansion of the currency of the State should be produced—an expansion which should, and it is hoped will, be so gradual and guarded as to avoid a *too stinted* accommodation to the public on the one hand, and an *unduly* depreciated currency on the other."

The "*prudent expansion of the currency*" was brought about by an increase in the circulation of the bank from \$156,910, November 1st, to \$328,400. January 1st; and—evidently fearing that this might afford "*a too stinted accommodation to the public*"—a further increase to \$759,000 by May was effected. The paper depreciated rapidly, falling to a discount of 35 or 40 per cent. This seems to have struck the managers as "*unduly* depreciated currency," for they appointed a committee "to devise the ways and means for securing, if practicable, the appreciation in value of the paper of this bank." What arrangements were devised is not stated; but as late as September, 1840, the cashier states that the notes were then at 35 to 40 per cent. discount at Little Rock. By the end of November, however, this discount seems to have been only 14 to 20 per cent.

Meanwhile the "accommodation to the public" had not been much "stinted." The loans and discounts increased from \$1,585,190.80 on November 1st, 1839, to \$2,158,869.57 a year later—and the amount in May had been even larger. But it was found harder to collect the loans as they fell due than it had been to grant them. The bank was obliged to hypothecate the \$500,000 of bonds undisposed of in order to secure specie funds to meet the interest payments on the \$1,500,000 of bonds already issued.

After May, 1840, the directors reduced both circulation and loans and discounts, as follows :

	Circulation.	Loans and Discounts.
May 1, 1840.....	759,000	
Nov. 28, 1840....	609,045	\$2,158,869.57
Mar. 31, 1841....	517,967	2,038,107.18
Sept. 30, 1841....	410,995	2,000,085.18
Apr. 2, 1842.....	294,869	1,923,241.39
October, 1844.....	244,265*	1,849,059.00

* Including \$130,059 held in the vaults of the Bank of the State. Both institutions were in liquidation at the latter date.

On April 2d, 1842, the directors made an assignment of all the effects of the institution to certain of their own number as trustees, to close up the affairs of the bank. The Legislature in January, 1843, passed "An act to settle and liquidate the affairs of the Real Estate Bank of Arkansas;" but the self appointed trustees disregarded the act and refused to relinquish their control. For some unexplained reason no further legislation was had in the matter on the part of the State until 1853, when an act was passed in accordance with which the trustees were divested of authority and all the assets turned over to a receiver. At this time, November, 1855, the unredeemed circulation outstanding amounted to \$49,320, of which \$34,040 was redeemed and cancelled during the following year.

From the time of the assignment in April, 1842, up to the 1st of October, 1858, there were received by the bank in payment of debts due it 548 of the Real Estate bonds issued in 1838, amounting with accrued interest to \$1,137,172.10. These

bonds were then canceled and retired. It was mainly in this way also that the circulation was reduced from \$395,000 in 1842 to \$15,000 in 1856. The bonds and circulating notes were in many cases purchased in the market at low rates by debtors, who used them in settlement of their debts to the bank, which was obliged to receive them at par. Some of the notes thus received, however, were afterwards paid out again; and in such cases there was usually a scaling down—*i. e.*, the notes were paid out, not at their face, but at their market value—two hundred, three hundred, or even four hundred dollars in Arkansas notes being regarded as the equivalent of one hundred dollars in specie.

Neither bank seems to have sold its own notes outright for specie, though paying them out at their market value amounted practically to the same thing; but they played a game of give and take in selling each other's notes. The State Bank about 1848 sold \$50,191 of Real Estate Bank paper to raise \$13,425.36 "good money" with which to pay salaries; \$37,690 more to raise \$9,500 appropriated by the Legislature for rebuilding the penitentiary, and \$18,149.36 to raise \$4,667.19 in good funds for printing. In all, \$106,030.36 of the notes of the Real Estate Bank were at that time sold to raise \$27,592.54 in "good money." The Real Estate Bank also sold in January, 1848, \$12,150 of notes of the State Bank to raise \$3,645 in good funds.

As in the case of the Bank of the State, the remaining assets were not sufficient to offer any prospect of redeeming the balance of the bonds, the burden of which was left to be removed by taxation of the people of the State. On October 1, 1868, the total amount of unredeemed bonds issued on behalf of both banks, including interest, was \$4,993,503.19. This was funded in 1869 into 30 year 6% bonds.

MISSOURI.

The Constitution of Missouri, of 1820, contains the following section:

"The General Assembly may incorporate one banking company, and no more, to be in operation at one time. The bank to be incorporated may have any number of branches, not to exceed five, to be established by law, and not more than one branch shall be established at any one session of the General Assembly. The capital stock of the bank to be incorporated shall never exceed \$5,000,000, at least one-half of which shall be reserved for the use of the State."

The earliest venture of this State into the field of this study proved to have been beyond the limits set down by the Constitution [see *Craig vs. State of Missouri*, 4 Pet. (U. S.), 410]; yet it is especially interesting in this connection as being the nearest approach in any of the States to the "Banks" of Rhode Island and the "loan issues" of several of the colonies in their earlier history.

On the 27th of June, 1821, the Legislature passed "an act for the establishment of loan offices," by the third section of which the treasury officers, under the direction of the governor, were required to issue certificates to the amount of \$200,000 in denominations from 50 cents to \$10, bearing two per cent. interest. These certificates were receivable at the treasury and by all public officers, towns and counties, in payment of taxes and public dues, and by all officers in discharge of salaries and fees. Certain property of the State was pledged for their redemption; and the governor was authorized to negotiate a specie loan for the same purpose.

The commissioners of the loan offices were authorized to make loans of the certificates at six per cent., to citizens of the State, upon mortgage security, or, to the amount of \$200, upon personal security. Provision was made for the gradual withdrawal of the certificates from circulation.

In the case above cited the Supreme Court of the United States decided that the certificates were "bills of credit," and their emission unconstitutional. They were in circulation only a few years.

But the unfavorable reception of a scheme which promised so much relief had a depressing effect upon the financial enterprises of the State, and it was not until 1837 that another move was made toward extending the banking facilities of the State, which in the meantime were limited to such as could be offered by a branch of a Cincinnati bank located in St. Louis.

The Bank of the State of Missouri was chartered in 1837, and with its branches held for many years a practical monopoly of the banking franchises in the State. Its first branches were located at Fayette, Palmyra, Cape Girardeau, Springfield and Lexington. The bank was the fiscal agent for the State of Missouri; it effected the sale of the State bonds, and paid the interest upon the State indebtedness. The State had subscribed one-half the capital stock originally issued by the bank, and at times the bank advanced to the State large sums of money. It issued paper currency against a coin reserve held in its own vaults, either by the parent bank or by the branches. The amount of the circulation thus issued was limited to three dollars of paper for each dollar of coin.

In the year 1856 the amount of coin in its vaults was \$1,140,000, while its circulation was only \$2,200,000—less than two dollars of circulation for each one dollar of specie. It dealt only in its own notes and coin.*

The bills issued by this bank were always redeemed at par on presentation. According to *Hunt's Merchants' Magazine* for 1858, this was the only bank in the South and West, started at the time of the first suspension, that did not suspend at the second revulsion of 1839. As late as 1856 the only incorporated banks in the State transacting a general banking business were this Bank of the State of Missouri and its five branches. Their combined capital was \$1,215,405, of which \$954,205 was owned by the State, and \$261,200 by individuals. The deposits at that time amounted to \$1,328,875, and the outstanding circulation, \$2,805,660.

The capital owned by the State was increased by January 1, 1863, to \$1,086,300; while that owned by individuals increased to \$2,315,392. Four additional branches had also been added. But the other banks established since 1856 (with an aggregate capital of nearly \$8,000,000), had resulted in a very marked curtailment of the field for circulation of the notes of the State Bank, which on January 1, 1863, amounted to but \$845,183.

In 1854 the constitutional inhibition against other banks than the State Bank was removed; in 1865 the new Constitution prohibited the incorporation of banks of issue and required that the Legislature should provide for the sale of the stock owned by the State; and by the Constitution of 1875 the final renunciation was enacted in the section:

“No State bank shall hereafter be created, nor shall the State own or be liable for any stock in any corporation, or joint stock company, or association for banking purposes now created, or hereafter created.”

COMPARISON SYSTEMS AND SPECIAL FEATURES.

It seems unnecessary to go into any extended comparison of the various State institutions to which attention has been directed in the preceding pages. The examples speak for themselves. Yet a grouping of them into such classes as they most naturally form may aid in an understanding of the subject.

I. Institutions toward the capital of which the State contributed a large share, and in the management of which the State, through directors appointed by it, had a large—though not necessarily controlling—interest. In the case of the most of the institutions of this class it will be noticed that the bank was made the fiscal agent of the State, and generally the notes of the bank were expressly made receivable for taxes and dues to the State.

This is the class that includes the greatest number of the institutions described above. It is also the class in which it has been found most difficult to decide what banks should and what should not be included. For the field it covers shades off gradually into a class of institutions in which the State is merely an ordinary stockholder, and which cannot in any sense be considered as State institutions.

Of the banks which fall within this category, the following may be cited: The first and second Banks of Kentucky, 1806 and 1834, respectively; the Farmers' Bank of Delaware, 1807; the State Bank of North Carolina, 1810, and the Bank of the State of North Carolina, 1833; the Bank of the State of Tennessee, 1811, and the Planters' and Union Banks, 1832–33; the State Bank of Indiana, 1814, and the State Bank of 1834; the Bank of the State of Georgia, 1815, and the Bank of Darien (Ga.), 1818; the Bank of the State of Mississippi, 1818, and the Planters' Bank (Miss.), 1830; the Bank of Louisiana, 1824; the State Bank of Illinois, 1835, and the Bank of Illinois at Shawneetown, 1838, and the Bank of the State of Missouri, 1837.

II. The “real-estate” and “property” banks, in which the actual working capital of the institution was secured through the sale of bonds issued by the State to the bank for that purpose. The State was not ordinarily a stockholder in the bank, but usually received a certain proportion of the profits in return for the guaranty which its credit afforded the institution. The capital being secured by the sale of State bonds, it was not necessary that the subscribers for the stock should pay up any amount upon their shares, and they were allowed to secure them by mortgages upon real estate. In the case of each of the banks founded upon this plan the stockholders themselves were the principal borrowers of the funds secured by the sale of the State bonds issued to the bank and through the issue of its own notes.

The States in which these institutions were located are all Southern States. The instances are: The Union Bank of Florida, 1833; Union Bank of Louisiana, 1832, Consolidated Association, and Citizens' Bank, (La.), 1836; The Mississippi

* L. F. Stephens, in *World's Congress of Bankers and Financiers*.

Union Bank, 1838; The State Bank of Arkansas, and the Real Estate Bank of Arkansas, 1836.

III. Banking institutions for which the State furnished the entire capital and which were under the direct control of the State.

The cases coming under this head are: The State Bank of Vermont, 1806; The Bank of the Commonwealth of Kentucky, 1820; The Bank of the State of South Carolina, 1812; The State Bank of Illinois, 1821; The State Bank of Tennessee, 1820; The Bank of Tennessee, 1838; The Bank of the State of Alabama, 1823; The Central Bank of Georgia, 1829; and the Missouri "Loan Offices" of 1821.

Attention has already been called to the fact that the "loan certificates" of Missouri seem to have been patterned closely after the colonial issues of paper currency noted at page 2 above. But the similarity is hardly less striking when comparison is made between the "banks" of Rhode Island or Massachusetts and the issues of the State Bank of Illinois (1821), or the State Bank of Tennessee (1820). In each of these latter instances the bank was in the nature of a loan office, issuing bills for the purpose of loaning on landed or personal security, and it is not unlikely that the decision of the Supreme Court in the case of *Craig vs. the State of Missouri* might have been applied to their issues had not their failures occurred so early as they did.

With one or two unimportant exceptions all of the institutions noted in the preceding pages operated branches, the number of which varied from a single one to more than a dozen. There was no uniformity in the basis upon which they stood. In some cases the connection between the parent bank and the branches was rather nominal than intimate. In the case of the State Bank of Indiana (1834) the branches were actually separate institutions and the parent bank merely a board of control, binding the whole into a common system. In other cases—*e. g.*, the Bank of the State of South Carolina—the branches were little more than agencies of the parent bank, which signed and issued all the notes, making them payable at the head office. But the larger number of these institutions occupied a middle ground—the branches being left to issue their own notes and discount for their own customers, but constantly directed from the parent bank as to general policy.

This practice of making the notes payable only at the particular branch which issued them occasionally led to the adoption of the subterfuge especially mentioned above in the case of the Bank of the State of Arkansas—the circulation by each branch of the notes of some distant branch, so that, while their notes were nominally convertible into specie on demand, they were received by the branch in the vicinity of which they were circulated only at a slight discount. Instances of this are mentioned in the case of the United States Bank, and the banks of North Carolina, Virginia and Tennessee.

Another point which is perhaps worthy of note is the stimulus given to these State institutions by the distribution of the surplus revenues among the States in 1836-7. In the case of States which had subscribed for large amounts of stock in banks recently incorporated, the receipt of this revenue often enabled a considerable portion of the subscription to be paid at once in cash. In the case of institutions the capital of which had been wholly contributed by the State, this was increased by the addition of the State's share of the surplus revenue. And even where neither of these courses was followed, the moneys thus received were generally deposited with the State institution, and as there was every prospect that the deposit would be permanent, the result was practically the same as a direct increase of capital.

STATUS WHEN NATIONAL BANKING SYSTEM INAUGURATED.

At the time of the establishment of the National Banking system in 1863-4, most of the State banking institutions described in the foregoing pages had already passed into history. That of Vermont had ended disastrously before 1815. The first two experiments in Kentucky had come to the same end before 1830. The first experiment of Indiana had proved a failure; and the second, though eminently successful, had given place before 1860 to an institution in which the State had no interest. The ventures of Mississippi and Illinois had ended disastrously early in the forties. Tennessee's first institution had been closed in 1832, and her second State Bank was in 1864 engaged in its final struggle previous to an assignment in 1866.

The Bank of the State of Alabama had passed out of existence in 1845, leaving behind a public debt of several millions of dollars, which still existed in 1864 as a vivid reminder of the follies of earlier years. Louisiana had long before the war severed her connection with the banking interests with which she had affiliated,

except so far as was involved in the payment of interest and principal of the portion of the debt still remaining of that which she had then created. Georgia's public bank had gone down early in the forties; while those of Florida had failed even earlier. Arkansas' two State institutions had been in liquidation since 1842.

There remained then in 1863, of the institutions here discussed, only the later Bank of Kentucky, the Farmers' Bank of Delaware, the Banks of North and South Carolina and the Bank of the State of Missouri.

The Bank of Kentucky was never very intimately connected with the State, and it is perhaps due to the fact that it was allowed to conduct its own affairs, mainly upon its own capital, that its continuance and success may be attributed. The Bank of Kentucky and its branches, in 1863, possessed a capital of \$3,666,400, and issued circulation amounting to \$1,125,000.

The Farmers' Bank of Delaware is the one institution described in these pages whose connection with the State was least intimate, and whose management seems to have been most independent of political influences. In 1863, as since, this bank was in a sound condition and its notes at par with government paper.

The conditions of war then prevailing make it difficult at this time to ascertain the status of the State Banks of North and South Carolina. Both, however, seem to have been in successful operation—that of North Carolina under the new name of the Bank of North Carolina.

The Bank of the State of Missouri was also apparently in successful operation in 1863; though the measure of that success was not so great as to prevent the State in 1866 from offering for sale and finally disposing of all its stock in the Bank.

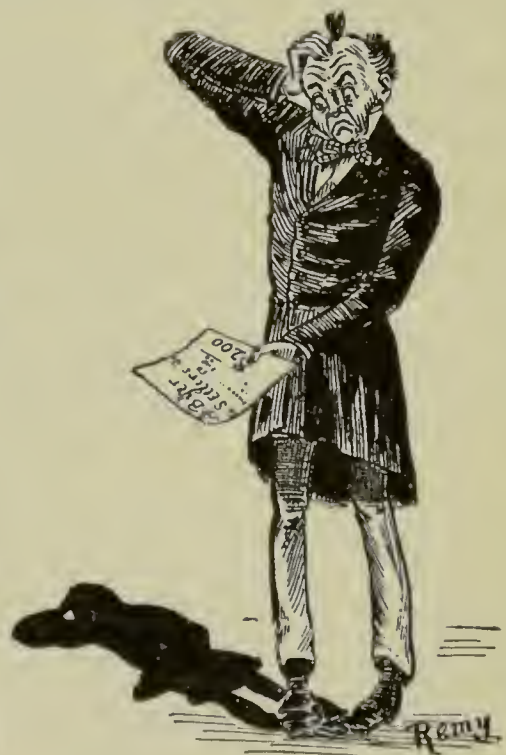
In short, therefore, the date of the establishment of the National Banking system found in existence few State banking institutions of the character herein described—and those few mainly the ones in which the interests of the State were slight—rather in the nature of investments of funds than such as called for any considerable share in management on the part of the State. All the rest had gone down, leaving behind them in many cases a mass of State indebtedness to stand as the result of experiments made in earlier days by men who thought themselves possessed of a genius for finance.

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“ Two banks in this State do not arrange for the redemption of their notes in Boston. Their bills will not circulate beyond a limited sphere. At fifty miles’ distance they cannot be used without loss, while the bills of the other banks of the State circulate, it is said, without loss, to the farthest bound of the Union.”—Report of the Bank Commissioners of Maine, 1848.

“ The ‘Suffolk System,’ though not recognized in our banking law, has proved to be the great safe-guard to the public. Whatever objections may exist to this ‘system’ in theory, its practical operation is to keep the circulation of our banks within the bounds of safety. No sound bank can have any well founded reason for refusing to redeem its bills in Boston, and a bank that is not sound cannot long do business under that system, and ceases to be in good credit when it is ‘thrown out at the Suffolk.’”—Report of Bank Commissioners of Maine, December 31, 1857.

NEW ENGLAND BANK CURRENCY.

CURRENT REDEMPTION DEVELOPMENTS.

L. CARROLL ROOT.

	PAGE.
BANK NOTE ISSUES IN COLONIAL NEW ENGLAND.....	254
MASSACHUSETTS STATE BANK CURRENCY.....	255
RHODE ISLAND STATE BANK CURRENCY.....	261
CONNECTICUT STATE BANK CURRENCY.....	265
BANK CURRENCY OF OTHER NEW ENGLAND STATES.....	268
MAINE.....	268
NEW HAMPSHIRE.....	272
VERMONT.....	273
CURRENT REDEMPTION.....	276
EARLY METHODS.....	276
THE SUFFOLK BANK SYSTEM.....	277
THE BANK OF MUTUAL REDEMPTION.....	281
STATUS WHEN SUPERSEDED BY NATIONAL BANK SYSTEM.....	281

BANK NOTE ISSUES IN COLONIAL NEW ENGLAND.

In 1686 it is recorded that there was felt in Massachusetts a "scarcity of coyne," to remedy which a private bank, established by persons of estate and known integrity and reputation, was authorized. This institution, however, was not long-lived. If it existed, as it very probably did, until the Revolution of 1689, it did not survive any longer.*

In 1701 a committee of the General Court proposed the establishment of another bank; but this recommendation was negatived by the Council. The agitation did not die out, however, and in 1714 was renewed by "a numerous and respectable" body of citizens whose demand was for a private bank based on real estate. Perceiving that their project was likely to succeed unless opposed by more than the refusal of legislative sanction, the Province proceeded to assume to itself the banking functions in question. This was done through the issue of £50,000 in bills expressly put upon a banking basis. These were put in the hands of five trustees and by them loaned out at 5 per cent. interest on mortgage security, one-fifth of the principal as well as the interest to be paid annually. At the same time the Legislature forbade the emission of bills by the private bank in contemplation. But in spite of this it seems to have issued notes, some of which were still in circulation in 1719. Their circulation was forbidden by Parliament in 1720. After a start had thus been made, the Province continued from time to time to issue bills for purposes of loaning, the first issue being followed by £100,000 in 1716, another £50,000 in 1721, and £60,000 in 1728.

In 1733 a number of merchants and others in Boston, in order to supply the deficiency of a medium of trade, engaged in a project to issue paper to the value of £110,000. These bills were redeemable in ten years with silver at 19s. an ounce, then the common rate for Province paper. In spite of opposition to them on the part of the Governor and their failure to obtain the sanction of the Assembly, these merchants' notes were circulated, and accounted better by 33 per cent. than Province bills.†

In 1740 two private banks were projected—a "Land" Bank and a "Specie" or "Silver" Bank. The first contemplated an issue of £150,000 in notes to be loaned on landed security, payable in twenty years by various articles of merchandise; the other an issue of £120,000, redeemable in fifteen years in silver at 20s. an ounce, or gold *pro rata*. The latter was very similar to the issue of merchants' notes in 1733. Both these institutions gained considerable currency for their notes—though in each case without legislative sanction.

The "Land" Bank was especially opposed by the government of the Colony, and the measures adopted to put it down involved the dismissal of civil and military officers who were connected with it or who encouraged the circulation of its bills. This opposition was galling to the advocates of the bank, who even threatened to rise in rebellion. In 1742 the institution was compelled by act of Parliament to call in its notes and wind up its affairs, and a right of action was given each holder of its notes against any member of the association, as a result of which many of the stockholders suffered severely.

June 30, 1742, a committee, reporting on the affairs of the "Silver" Bank, stated that it had actually emitted £120,000 in notes, of which £69,361 12s. 6d. had been recalled, leaving still in circulation £50,638 7s. 6d. These notes also fell under the prohibition of Parliament in that year, and the remainder were retired.

In New Hampshire, also, about 1735, a company was formed which issued notes upon the plan of the Merchants' Association of Boston of two years earlier. "They concluded," says Mr. Felt, "to follow the example set by the association of our metropolis—who had issued notes on their own responsibility—but not to imitate their judicious provisions to hinder loss to the public. Hence our Legislature passed a law against the circulation of their bills on a penalty of heavy fine." A part of the section of the statute here referred to recites that sundry persons of New Hampshire have adopted measures the past year to issue "promissory notes of a most uncertain and sinking value, as they are payable in New Hampshire, Massachusetts, Connecticut and Rhode Island bills, or in silver, gold, or hemp, at the unknown price they may be at Portsmouth, in New Hampshire, Anno 1747, whereby his Majesty's good subjects will be great sufferers, should they part with their goods and substance for them or accept of them in payment." "This was a banking speculation," continues the historian, "which promised much advantage to its promoters, but very little to the public. The larger amount of its paper, like all such currency of that day, in New England, reached Boston—the great mart for the northern colonies. But placed under the ban of the law, its market was spoiled for this Province."

In Rhode Island the principle of loan issues by the Colony inaugurated by Massachusetts was carried to an extreme. In 1715, there was emitted what was called the First Bank of £40,000. The bills were issued by the Colony and loaned out to inhabitants at five per cent. interest, for a period of ten years, on real estate security.

* Felt, Massachusetts Currency, p. 47.

† *Ibid.*, pp. 89, 107.

In May, 1721, a second bank of £40,000 was issued and loaned out like the first, except that the period of the loan was but five years, which was afterward extended to thirteen years. Other banks continued to be issued from time to time.* In 1749 there were still outstanding £210,000 of the third to eighth banks, inclusive; and two other banks were issued later. In addition to these there were occasional issues for the relief of the treasury which were not loaned out as were the "banks."

Commencing with an issue of £8,000 in 1709, the Colony of Connecticut had issued bills of credit from time to time for the purpose of meeting expenses; and in 1726 and 1728 measures for issuing bills for loan were favorably discussed, and that of 1728 defeated only by the veto of the Council. In 1730 an association was formed, to which the General Court, in 1732, granted a charter under the name of the "New London Society United for Trade and Commerce," which shortly after commenced the issue of notes for circulation, in imitation of colonial bills. Thereupon at a special session of the General Court, its charter was repealed, and an act passed declaring that any one who should "strike or emit any bills of credit of the nature or tenor of bills of credit on this government," or on any fund or credit of any person or persons, or of any society, to be used in lieu of money, should be subject to the same penalties as are prescribed for forging or counterfeiting bills of credit. For the relief of those who had come into possession of the bills of the company, the Colony authorized an emission of £30,000, and later £20,000 additional, to be loaned out either to those bringing in the notes of the New London Society or to others. In 1740 a further issue of £22,000 was loaned out. No other issues of Connecticut paper money seem to have been made for loan purposes.

MASSACHUSETTS STATE BANK CURRENCY.

On March 8, 1782, within two months after the Bank of North America opened its doors in Philadelphia, the State of Massachusetts also granted it a charter and guaranteed it a monopoly during the continuance of the War with Great Britain. The success of this institution led two years later to the organization of the Massachusetts Bank, incorporated by the Legislature February 7, 1784. This was the first local bank established in the State, and the second in the United States. Its capital was limited to \$300,000 of which \$253,500 had been paid in when it commenced business on July 5 of that year. In its original charter nothing was said as to the issue of notes; but an act passed March 9, 1792, prohibited the issue of notes below \$5, and from January 1, 1793, the total amount of notes together with "money loaned by them by a credit on their books or otherwise" was limited to "twice the amount of their capital stock in gold and silver, actually deposited in the bank and held to answer the demands against the same." In case of excess, the directors under whose administration it occurred were to be held individually liable.†

In 1792 the Union Bank of Boston was chartered, with a capital of \$1,200,000, of which the State subscribed \$400,000. Its issue of notes of a less denomination than \$5 was prohibited, and the total debts due from the bank limited to an amount not exceeding twice its capital, in addition to its deposits. Provision was included for legislative examinations, and the bank was made the depository of the State funds. It was also required to loan to the State at any time a sum not to exceed \$100,000, at five per cent. interest. It might establish branches.

Most of the charters subsequently granted contained substantially the same provisions, including in nearly every case that for a State subscription. In this way the State became quite largely interested in banking, holding, in 1812, according to Martin's *Boston Stock Market*, \$1,000,000 of bank stock, which was at that time sold to meet some extraordinary expenses.

In 1795 Massachusetts incorporated her third bank—the Nantucket—with a capital of \$40,000; and very shortly after the Merrimac, at Newburyport, was established. Each of these banks was permitted to issue notes as small as \$2.

In 1799 a general law was enacted prohibiting banking by unincorporated companies, or the further issue, except by the Nantucket Bank, of notes of a less denomination than \$5. In the early years of the century, however, the currency of New England became greatly deranged, notes of banks in other States of denominations as low as twenty-five cents being in circulation, and specie having practically disappeared. One consequence was that the early prohibition against notes below \$5 in Massachusetts gave way, in 1805, to a permission to issue bills of \$1, \$2 and \$3 to the amount in the case of each bank of five per cent. of its paid-up capital. This failing to

*The more the issues the greater the depreciation, and the greater the demand for more bills. "Those who were involved in debt," says Mr. Potter, "borrowed of the Colony, on mortgage, a sufficient sum to pay their debts, as the bills were in many cases made a legal tender. When the time came for repayment to the Colony, a sufficient amount of the same bills could be procured at a very great depreciation."

† In the eighty years of its existence as a State bank, from 1784 to 1864, the whole amount of circulating notes issued by it was \$4,674,177, of which the amount lost or not presented for redemption was \$22,111 or not quite one-half of one per cent.

meet the demand, the proportion was increased, in 1809, to fifteen per cent., reduced in 1812 to ten per cent., and again increased, in 1818, to twenty-five per cent., a which it remained during the continuance of the State banking system.

Though each of the banks was required by its charter to furnish to State officials a statement showing the amount of capital, deposits, circulation, etc., once in six months, or once in twelve months, few seem to have paid any attention to these provisions. But in 1803 an act was passed requiring banks to make regular semi-annual returns of their condition to State officials. And from this time on the statistical data as to banking in Massachusetts is fairly complete. These returns for 1803 show seven banks in operation, with a capital of \$2,225,000, and a circulation of \$1,565,000. During the two years 1803 and 1804 the growth of the banking system was very rapid, and by 1805 there were in operation sixteen banks, with a capital of \$5,460,000. From this time until 1811 but one other bank was chartered.

During the period from 1805 to 1810 the bank-note currency of New England was in a very unstable condition. The banks of Massachusetts, however, were protected by legislative safeguards which, while not freeing them entirely from the disorders of the times, left them in a condition far better than that of the other New England States. Yet it is stated that when the vaults of the Berkshire and Northampton banks were examined about 1809, one was found to possess only about thirty or forty dollars in specie, and the other absolutely nothing.* One effect of the crisis through which the banks then passed is apparent in the sudden contraction of their circulation from \$1,613,684, in 1806 to \$1,038,042 in 1808.

One of the fruits of this crisis, which remained as part of the permanent banking system of the State, was the Act of 1809, imposing a penalty of two per cent. a month upon any bank which should refuse or neglect to pay its notes in specie on demand. In 1809 also, an act was passed requiring that, for the purpose of securing uniformity and guarding against counterfeiting, all bills of \$5 and under should be printed from certain stereotype steel plates executed by a Boston engraver.

In 1811 the first effects of the stimulus to banking arising from the expiration of the charter of the United States Bank were evidenced in the incorporation of the Merchants' Bank, with a capital of \$200,000, and on the following day—June 27, 1811—the State Bank, with a capital of \$3,000,000. This institution was evidently designed to occupy the place in relation to the State that the United States Bank was just then resigning as to the United States; but the plan did not meet with very flattering success, and the \$1,500,000 additional capital for a State subscription, for which provision was made, was never actually subscribed. In 1817 its capital was reduced to \$1,800,000. The charters of these two banks were, in most respects, taken as the pattern from which the charters of the banks incorporated in the next few years were modeled. No business was to be done until one-fifth of the capital was paid in and actually existed in the vaults in gold and silver, as found by examination of commissioners to be appointed for the purpose by the Governor, whose duty it should be not only to count the money, but to ascertain by the oath of the directors that it had been *bona fide* paid in by the subscribers as payments upon their subscriptions and was intended to remain as a part of the capital of the bank. In case of any loss or deficiency arising from mismanagement, the stockholders were to be individually liable in their private capacities, to an amount not exceeding the stock held by them; and upon the expiration of the charter the stockholders were to be liable in their private and individual capacities for the payment of all bills outstanding, in proportion to the stock held.

In the case of these two banks, as in the case of the most of those which had preceded them, the circulation was virtually limited to twice the capital stock by the provision that the total debts owing either to or from the bank, exclusive of deposits should not exceed twice the amount of the capital. But commencing almost immediately thereafter, the limit of circulation imposed either upon the incorporation of new banks or on the re-incorporation of old ones—the charters of the most of which expired in 1812—was 150 per cent. of the capital actually paid up. In the case of three or four banks the old limitation of twice the capital seems to have been adhered to; while in the case of several the total debts due from the bank—including deposits as well as circulation—were limited to 150 per cent. of the capital stock.

Between 1822 and 1829 there were forty-five bank charters given. Of these, two of the earliest followed the charter of the State Bank of 1811, which limited the total debts of the bank, exclusive of deposits, to twice the amount of the capital, but imposed no other restriction upon circulation. Thirteen more, granted exclusively in 1824 and 1825, limited the circulation to 150 per cent. of the paid-up capital; twenty-five granted in 1825, 1826, 1827 and 1828, fixed the limit at 100 per cent. of the paid-up capital; while four imposed a limit of only 50 per cent., though in two of these cases the limit was shortly after raised to 100 per cent.

*Information as to the currency of these banks and the loss to holders is not accessible, further than the fact that in 1809 the notes of the Northampton Bank were quoted in Boston at a discount of 15 per cent., and those of the Berkshire Bank at from 20 to 50 per cent. discount. The former Bank seems afterward to have recovered its standing in some measure, and in 1813 its charter was revived.

The Massachusetts and other New England banks did not suspend specie payments in 1814, at the time the other banks of the country did; but on the contrary continued to maintain a currency of recognized soundness. The result was to attract to New England a large amount of specie which had previously been circulating in other States. The sound currency and consequent low prices of New England constantly tended to draw the available specie from other sections, where an inflated currency and high prices had resulted from undue bank expansion. The following table shows the amount of specie held by Massachusetts banks during the years in question :

1811	\$1,513,000	1815.....	\$3,464,241
1812	3,681,696	1816.....	1,260,210
1813.....	5,780,796	1817.....	1,577,432
1814.....	6,946,542		

The years 1825, 1826 and 1828 were especially prolific in bank charters, and in the four years 1825 to 1828 no less than thirty-six banks were incorporated, while fourteen others were authorized to increase their capital stock. The total new capital authorized was \$9,075,000. The necessity for drawing so much capital from other uses for investing in banking caused a severe pressure for cash at several periods, and as a result neither of the banks chartered in 1827 and only six of the fourteen chartered in 1828, went into operation, and of these six two failed within two years.

In August, 1829, the Farmers' Bank of Belchertown, incorporated in 1825 with a capital of \$100,000, failed through gross mismanagement. The Sutton Bank, with a capital of \$100,000, and the Brighton Bank, with a capital of \$150,000, both incorporated in 1828 and put in operation by means of fraudulent practices and oaths on the part of the directors, were soon after found to be in an unsafe condition and to be conducted in violation of nearly every provision of their charters. There is reason to believe that a considerable number of other banks were guilty of like misdoing. The charters of these three banks were repealed early in 1830.*

The first comprehensive law of the State on the subject of banking is that of February 28, 1829, the provisions of which were to govern every bank which should thereafter be incorporated, or whose capital should be increased or charter extended.

It provided that no new bank should go into operation until fifty per cent. of the capital had been actually paid in, in gold and silver, which should have been duly examined, counted, certified and sworn to, in the same manner as required by the charters of all the later banks. Loans to stockholders were prohibited until their subscriptions were fully paid in; and in no case was a bank to be permitted to loan more than fifty per cent. of its capital upon the pledge of its own stock. The limit to the amount of bills which a bank might circulate was fixed at 125 per cent. of the capital; and the amount of bills below \$5 which might be issued, left as before—25 per cent. of the capital stock. The total amount of debts which a bank might owe, exclusive of its deposits, as also the total amount of debts due to it, was limited to twice the capital. In case the debts due from the bank should exceed the limit fixed, the directors under whose administration the excess was allowed were liable in their private capacities for the amount of the excess.

In case of any loss or deficiency in the capital stock which should arise from the official mismanagement of the directors, the persons who were stockholders at the time of such mismanagement were liable, in their private and individual capacities, to the amount of the stock then held by them respectively. And upon the expiration of the charter of banking corporation the stockholders were individually liable for the redemption of all its bills outstanding in the proportion to the amount of stock which they might hold. Both of these provisions, however, dated from some of the earlier charters, and were already in force as to most of the banks then in operation.

One practice which commenced soon after the Act of 1829, which prohibited any bank from issuing any "note, bill, check, draft, facility or certificate, payable at a future day or bearing interest," was that of issuing "deposit books" in order to evade this provision. At first given only in the case of actual loans to the bank, for which it was allowed before 1829 to issue its notes on interest, they came to be extensively issued during the pressure of 1834, instead of money, in discounting paper. In that year, however, the prohibition was so extended as unmistakably to cover cases of this character. In 1836 the law against post notes was so modified as to allow a bank to issue them, bearing not less than $4\frac{1}{2}$ per cent. interest, to the amount of 25 per cent. of its paid up-capital. This permission was of two years' duration only.

In October, 1831, the charters of all the banks except the one already incorporated under the new law in 1829 were to expire. Sixty-two of them, with an aggregate capital of \$18,845,000, were rechartered, each for a period of twenty years. One was not rechartered, and two of the others decided to close their concerns instead of continuing under the new charters. Besides the old banks fifteen new banks were

*Bailey, "Banker's Magazine," September, 1876, p. 210.

chartered in 1831. The next year there were sixteen more added to the list ; and in 1833, fourteen. In 1834 there was quite a financial stringency, and the creation of banks ceased, only to begin again in 1836, however, with renewed force * By the end of 1836, in addition to the 62 older banks rechartered—43 of them with increased capitals—78 new banks had been authorized.

“ Had it been necessary to raise actual money in the old-fashioned way for the capital of these newly chartered banks, a large proportion of them would have been unable to go into operation. But with the aid of invention and the latest improvements, the raising of bank capital had ceased to be a difficult or expensive process. It was only necessary to secure a place for the bank to be kept, organize by the choice of directors and officers, borrow for one day specie to the amount of one-half the authorized capital to be examined and counted by the commissioners, who should ascertain by the oaths of a majority of the directors, that such specie had been paid in by the stockholders, toward payment for their respective shares, and not for any other purpose, and that it was intended to have it remain as a part of said capital ; then, return the specie : take the notes of the stockholders instead, for the amount of the paid-up capital, and set the printing press in motion turning out bank notes. With the process of raising bank capital thus simplified only five of these seventy-eight banks with a capital of \$2,000,000, failed of getting under sail. It would not be surprising if half of them commenced without any considerable stock of actual capital. Such a record of fraud, perjury, and bogus financing, is not to be found in any other portion of the history of Massachusetts, before or since.”†

Such an expansion—upon such a foundation—could not go on indefinitely. The merchants periodically complained of stringency, and the usury laws came in for their share of denunciation. But the trouble lay deeper than that. The whole banking system of the State, as of the rest of New England at the same time, was being buoyed up by a speculative mania which had at length to give way. While circulation and deposits had in September, 1836, more than doubled as compared with 1830, their specie reserves showed no considerable increase, and the ratio of specie to deposits and circulation was less than ever before, being as 1 to 13.52. But, more significant than all, a large proportion of the banks had gone into operation on borrowed specie and fictitious capital ; while hundreds of business enterprises were depending upon them for support, which, upon the least jar to their shaky foundations they must refuse.

In November, 1836, the Nahant Bank, at Lynn, succumbed, with \$242,965 circulation outstanding ; and a few months later suspicion began to fasten upon several of the lately chartered banks. In February, 1837, a legislative committee appointed to investigate the affairs of the Chelsea, Kilby, Middling Interest, and Lafayette Banks, reported them to be sound. Nevertheless, one of them—the Chelsea—failed within two months, with \$90,722 demand notes and \$20,600 post notes in circulation, and but \$36.71 cash on hand ; and within three years every one of the banks thus “ white washed ” by the committee had failed.

The New York banks having suspended specie payments May 10, the Boston banks, while deploring the necessity, felt obliged to do the same—which they did on the 12th. “ Specie became worth a premium of from ten to thirteen per cent., and so great a scarcity of small change ensued that, to meet the demand, the banks, forbidden to issue notes less than \$1, issued fractional notes for \$1.25, \$1.50 and \$1.75, which were eagerly sought for.”

It was not until April, 1838, that the Legislature passed an act suspending till January 1, 1839, the statute imposing a penalty of 2 per cent. a month for failure to redeem in specie. But no bank could have the benefit of this immunity if it failed to redeem in specie at all times its notes below \$5 if in Boston, and below \$3 if elsewhere ; or if its circulation should exceed 75 per cent. of its capital ; or which should have due to it, except from other banks, a sum greater than 175 per cent. of its capital stock ; or whose capital should not be fully paid in. The act brought speedy relief ; and the banks commenced at once the redemption of all small bills, and by August 13, 1838, resumption had become general throughout the State.

Meanwhile bank failures had been of frequent occurrence. In July, 1837, the Franklin and Lafayette banks had closed ; and in January, 1838, came the failures of the Commonwealth, Middlesex (at Cambridge), American, Commercial, Fulton, Hancock and Kilby. Others followed at frequent intervals until 1842.

In all during the years 1837–1844 “ seventeen banks had their charters repealed, in most cases for insolvency, and fifteen surrendered or forfeited their charters, making in all thirty-two banks which failed or discontinued in consequence of the crisis. Among these thirty-two banks were eleven of the thirty-two incorporated in 1836, six of the fourteen incorporated in 1833, two of the sixteen incorporated in 1832, and five

* One of the wild projects of the period, which did not go through, was the proposed incorporation in 1836 of a State bank with a capital of \$10,000,000, of which the State was to subscribe one-half, to be raised by means of a 4 per cent. loan. The matter was favorably reported from the Committee on Banks, but was defeated on the third reading.

† Dudley P. Bailey, Jr., in “ Bankers' Magazine,” September, 1876,

of the fifteen incorporated in 1831. Only seven were incorporated in the years 1824-29 inclusive, and only one incorporated previous to 1824, and this settled its affairs without loss to the public or its stockholders. Out of thirty-two banks chartered in 1836 there remained in 1845 only seventeen, and one of these discontinued in 1851, though without loss to the public or its stockholders. The astonishing proportion of mortality among the later creations is a sufficient commentary on the policy which brought them into being." *

Among these failures there had been developed several pure swindling schemes. One of these, for example, was the Roxbury Bank, of whose notes there were some \$50,000 in the hands of the public at the time of the failure. This, however, was the only instance in which the entire assets seem to have passed out of the control of the bank, and the only one in which the note-holders suffered materially.†

The crisis of 1837 had disclosed the necessity of having the banks subjected to more efficient supervision, and early in 1838 the appointment of three Bank Commissioners was authorized, whose duty it was to make annual examinations of all the banks in the State, as well as special examinations as often as deemed necessary. This board continued in existence five years, when the law creating it was repealed.

It was many years after the experience of 1837-9 before the banking interests of Massachusetts were fully recovered from the shaking up which they had received, and it was not until after 1850 that the number of banks, or the amount of capital employed, rose to equal the figures of the years 1836-7. Nevertheless, the lesson of experience seemed to have been learned, and the ensuing period was one remarkably free from disturbance or loss by bank failures. In the fifteen years, 1840 to 1855, there had been but two failures—and both of these were cases in which the notes were paid in full.

In 1843 banks were prohibited from paying out over their counters other notes than their own.

The charters of all the banks incorporated before 1849 were to expire October 1, 1851, and the prospect of their renewal led to several amendments in the banking laws. The most important of these was an act passed in 1849, making the stockholders in any bank, at the time when it stopped payment, individually liable in proportion to their stock for the redemption of the notes issued by such bank. Previously they had been liable only in case of official mismanagement, or upon the expiration of their charter. Another very important change was the re-establishment in 1851 of the office of Bank Commissioner, with substantially the same powers and duties as the former Board. This Board continued in existence until the State system was superseded in 1865 by the National Banking system.

An effort was also made to establish a system of free banking similar to that which had been in operation in New York since 1838. This was done by the act of May 24, 1851, which authorized any number of persons, not less than fifty, to become a body corporate to carry on the business of banking, with a capital of not less than \$100,000, nor more than \$1,000,000, one-half to be paid in before commencing, and the balance within one year thereafter. Upon the deposit by such a corporation with the Auditor of the State, at a rate not above either its par or its market value, the public stock of any New England State, or of the State of New York, or the United States, or of any city or town of Massachusetts, amounting in the aggregate to not less than \$50,000 nor more than 25 per cent. beyond the capital of the bank, it was entitled to receive an equal amount of circulating notes prepared in blank and countersigned by the auditor, which notes, when executed and signed by the proper officers of the bank, might be put in circulation. These stocks were to be held in trust by the State officials, and in case of failure of the bank to redeem its notes on demand they were to be sold and the proceeds used for that purpose. In most other respects the banks to be organized under the general law were to be subject to the same provisions as the chartered banks. An act in 1852 reduced the number of persons necessary to form a corporation to ten, limited the circulation to the amount of the capital, and exempted from taxation the securities transferred to the auditor, to the extent of three-fourths of the capital.

But all in vain. Banks would not organize under the general law if it were possible to avoid it. So long as the Legislature would grant petitions for additional special bank charters, persons desiring to engage in banking would invariably take that course; but when that became impossible, resort was had to the employment of additional capital in some of the existing banks, as the Legislature often granted peti-

*D. F. Bailey, in *Bankers' Magazine*, October, 1876.

† "The whole public loss, then, from bank failures which is ascertained, or which can be estimated in numbers since the organization of this Board, is from the fraudulent issues of the Roxbury Bank, made before its condition could be ascertained. Of course this statement does not embrace the losses of stockholders, whose special interests are, as stated, beyond the control of the commissioners." —*Report of Bank Commissioners*, 1845.

In this estimate, however, no account is taken of the immediate loss to the holders of notes which were subsequently redeemed in full. As to this factor the Bank Commissioners, in 1852, remark: "Judging from past experience, a loss of 50 per cent. to most of the holders of the bills at the time would have been a favorable result, under the usual circumstances of the failure of a bank, though the bills may be ultimately paid in full."

tions for increase of capital when new charters would be refused. As a result, it was not until 1858 that the first bank took advantage of the act, and there were never more than seven banks incorporated under it—and these seven mainly banks of the City of Boston, to which the matter of circulation was relatively of small importance as compared with the volume of business transacted.*

During the years 1850–7 the bank mania raged with only less violence than during the few years preceding 1837. Fifty-eight new banks, with a capital of \$14,400,000, were chartered, and 157 increases in existing capital were authorized, aggregating \$18,745,000. The committee in 1856 reported against granting any more charters, and called attention to the fact that the excess of bank capital, instead of tending to make money plenty, had encouraged speculation and advanced prices, while leaving the rate of interest unusually high. Another warning was the failure of the Cochituate Bank in 1854—the only serious failure since about 1840. But, serious as it was, the Commissioners reported that the public would probably lose nothing, the note holders certainly being fully protected through their remedy at law against the stockholders. In November, 1855, the Grocers' Bank, in Boston, was also found to be insolvent. The provisions for securing publicity in regard to the conditions of the banks were better than ever before, the law of 1854 having required weekly returns from the banks in Boston, and monthly from all other banks in the State.

Early in 1857 the banks, both in Boston and elsewhere, appeared to be laboring under an undue expansion, the ratio of specie to circulation and deposits being in Boston as 1 to 6.24, and elsewhere as 1 to 21.09. In the months of August and September the crisis struck them, and instead of being in a position to extend accommodation, they were obliged to contract their loans and circulation very suddenly. The circulation of the country banks was reduced from \$14,023,092 on the 3d of October, 1857, to \$9,580,773 on the 2d of January following. During the most of this period the banks were acting under suspension of specie payments. In spite of the force of the panic, and the fact that business failures were far more numerous and serious than ever before, only one bank failed.

The bank capital steadily increased, reaching its maximum in 1862 of \$67,544,200, divided among 138 banks—ten more than in October, 1857. They were in a position of great strength when the political disturbances of 1861 began to derange the finances of the country. Though compelled, in common with the banks in other sections, to suspend specie payments in December, 1861, there were no insolvents among them.

After the passage of the National Banking Law the Legislature passed an act to facilitate the transformation of State into National banks. So rapidly did this progress that by October, 1865, only one bank remained doing business under a State charter.

STATISTICS OF BANKS OF MASSACHUSETTS.

YEARS.	NO. OF BANKS.	CAPITAL STOCK.	CIRCULATION.	DEPOSITS.	LOANS AND DISCOUNTS.	SPECIE.	NOTES OF OTHER BANKS.
1803	7	\$2,225,262	\$1,565,189	\$1,522,271	\$3,857,491	\$1,079,928	\$447,158
1804	13	5,012,817	1,695,301	1,122,119	6,054,574	977,902	241,485
1805	16	5,460,000	1,553,824	1,021,229	6,298,181	847,998	311,811
1806	15	5,485,000	1,613,684	2,036,490	7,058,166	959,394	535,772
1807	16	5,560,000	1,481,777	1,713,968	6,890,128	714,783	629,061
1808	16	5,960,000	1,038,042	2,548,717	7,432,700	1,015,843	494,742
1809	16	5,960,000	1,334,948	2,314,788	7,797,523	821,942	492,973
1810	15	6,685,000	2,098,491	2,461,877	8,979,338	1,347,722	198,047
1811	15	6,685,000	2,355,571	3,385,721	10,102,574	1,513,000	327,265
1812	16	7,960,000	2,162,358	4,734,526	10,258,705	3,681,696	285,106
1813	16	8,895,000	2,186,137	6,903,593	10,234,409	5,780,798	384,597
1814	21	11,050,000	2,922,611	9,201,718	13,454,290	6,946,542	682,483
1815	25	11,462,000	2,740,511	4,057,394	13,735,101	3,464,241	416,788
1816	25	11,475,000	2,134,690	2,133,278	13,706,802	1,260,210	556,172
1817	26	9,298,050	2,495,260	3,520,793	12,647,088	1,577,453	718,878
1818	27	9,749,275	2,680,477	2,905,797	12,583,649	1,129,598	1,126,315
1819	28	10,374,750	2,464,057	2,574,346	12,931,843	1,198,889	872,186
1820	28	10,600,000	2,614,734	3,176,003	13,529,660	1,280,852	873,681
1821	28	9,800,000	3,010,762	5,448,608	13,020,118	3,048,829	745,552
1822	33	10,821,125	3,132,552	3,235,828	14,571,020	946,266	858,286
1823	34	11,650,000	3,128,986	3,122,058	15,638,247	1,033,375	721,292
1824	37	12,857,350	3,842,641	5,238,644	17,401,616	1,939,842	1,036,250
1825	41	14,535,000	4,091,411	2,715,375	21,973,961	1,038,986	659,228
1826	55	16,649,996	4,549,814	2,636,735	23,617,660	1,323,820	1,011,790

* They were :

Bank of Metropolis, Boston	October, 1858	\$200,000
Safety Fund Bank, "	February, 1859	1,000,000
Revere Bank, "	May, 1859	1,000,000
Bank of the Republic, "	February, 1860	1,000,000
Mount Vernon Bank, "	November, 1860	200,000
Continental Bank, "	" 1860	300,000
Harvard Bank, Cambridge	March, 1861	200,000

YEARS.	NO. OF BANKS.	CAPITAL STOCK.	CIRCULATION.	DEPOSITS.	LOANS AND DISCOUNTS.	SPECIE.	NOTES OF OTHER BANKS.
1827	60	\$18,269,750	\$4,936,442	\$2,991,883	\$21,271,031	\$1,466,261	\$1,086,793
1828	61	19,337,800	4,884,538	2,063,072	27,073,978	1,144,645	1,046,750
1829	66	20,420,000	4,747,784	2,545,233	28,590,896	987,210	1,236,178
1830	63	19,295,000	5,124,090	3,574,947	27,987,234	1,258,444	1,393,855
1831	70	21,439,800	7,739,317	4,401,965	36,040,760	919,959	1,375,173
1832	83	24,520,200	7,122,850	2,938,970	38,889,727	902,205	1,201,930
1833	102	28,236,250	7,889,110	3,716,182	45,261,008	922,309	1,796,361
1834	103	29,409,450	7,650,147	13,308,059	47,200,477	1,160,296	1,952,417
1835	105	30,410,000	9,430,358	12,921,701	48,342,020	1,136,444	2,097,798
1836	117	34,478,110	10,892,249	8,784,516	56,643,172	1,455,230	3,428,853
1837	129	33,280,000	10,273,119	14,059,449	53,414,182	1,517,984	2,988,617
1838	120	34,630,000	9,400,513	9,621,217	48,206,809	2,394,624	2,359,387
1839	118	34,485,600	7,875,322	6,728,717	44,967,749	1,838,272	1,552,070
1840	115	33,750,000	9,112,882	8,636,923	46,513,685	2,991,804	2,121,783
1841	114	33,360,000	9,509,112	7,144,899	47,553,960	3,111,837	2,314,436
1842	111	32,631,060	8,019,906	6,130,164	44,610,391	2,682,309	1,883,007
1843	103	31,089,800	9,219,267	10,213,887	42,993,291	7,298,815	1,991,842
1844	103	30,020,000	12,183,158	12,234,304	48,770,975	4,587,140	2,393,376
1845	104	30,970,000	14,339,636	11,668,133	52,648,729	3,857,904	3,010,113
1846	105	31,160,000	14,591,914	9,459,375	51,326,114	3,054,755	2,854,754
1847	109	32,113,150	17,196,363	10,265,555	57,260,938	3,943,973	3,263,463
1848	112	32,985,000	13,196,029	8,094,970	53,110,100	2,578,030	2,336,817
1849	119	34,630,011	15,700,935	10,621,733	56,599,310	2,749,917	3,737,151
1850	126	36,925,050	17,005,826	11,173,827	63,330,024	2,993,178	4,048,521
1851	131	38,265,000	19,694,698	13,839,903	66,341,109	2,478,858	6,235,787
1852	137	43,270,500	21,172,360	15,067,204	77,172,079	3,563,782	5,346,162
1853	143	49,050,175	25,620,472	19,007,651	87,187,177	3,731,765	7,340,461
1854	153	54,492,660	24,803,758	19,346,595	93,341,953	3,823,403	5,325,595
1855	169	58,632,350	23,116,025	21,973,260	99,506,712	4,409,402	4,547,710
1856	172	55,593,800	26,544,315	24,369,126	101,132,792	4,555,571	5,248,380
1857	173	60,319,720	18,104,827	17,631,190	92,458,572	3,611,097	4,385,650
1858	174	61,819,825	20,839,438	32,076,006	104,423,472	11,112,716	4,933,428
1859	176	64,519,200	22,036,921	29,249,038	109,435,512	7,532,647	5,183,459
1860	178	66,482,050	25,012,745	30,246,523	119,164,434	6,567,883	5,763,676
1861	183	67,344,200	19,517,306	33,956,711	111,038,828	8,777,193	4,050,939
1862	183	67,544,200	28,957,630	44,737,490	127,592,511	9,595,530	9,355,035

RHODE ISLAND BANK CURRENCY.

After the Colonial so called "banks" noted at page 2 above, the real history of banking in Rhode Island commences with the incorporation of the Providence Bank in 1791. There were at this time only four other banks in existence in the United States—one in each of the States Pennsylvania, New York, Massachusetts and Maryland. The preamble of the charter of the Providence Bank recites that "Whereas the president and directors of the bank established at Providence on the third day of October last have petitioned this General Assembly for an act to incorporate the stockholders of said bank; and whereas well-regulated banks have proved very beneficial in several of the United States, as well as in Europe," the petition is granted and the bank duly incorporated. Of the authorized capital of \$250,000, \$50,000 was reserved for a subscription by the United States and \$20,000 for a subscription by the State of Rhode Island, should they choose to subscribe. Neither the State nor the United States did so, however, and the subscriptions of private individuals were shortly afterward increased to \$400,000.

Nothing is said in the charter as to the issue of notes, or as to any limitation either upon the circulation or the debts of the bank. Evidently it was not anticipated that the bank would or could issue so many notes as to injure the currency of the State, or that the public was liable to suffer any loss at the hands of the bank. The liability of the stockholders was limited as follows: "No stockholder or member of said corporation shall be answerable for any losses, deficiencies or failure of the capital stock of the said corporation for any more or larger sum or sums of money whatsoever than the amount of the stock, stocks or shares which shall appear by the books of the said corporation to belong to him at the time or times when such loss or losses shall be sustained."

But the provision in the charter which was perhaps of most importance in shaping the future history of banking in Rhode Island was that prescribing certain very extraordinary powers, which afterward came to be termed the "bank process." These provisions were contained in a most elaborate section, and are to the effect that in case any person indebted upon any note or other instrument expressly made negotiable or payable at the bank should fail to make payment at the time specified, the president or certain of the directors were to cause a demand to be made in writing upon the delinquent debtor; and in case the obligation remained unpaid for ten days, these same officers could "write to either of the Clerks of the Courts of Common Pleas or of the Superior Court and order said clerk to issue a writ of execution *capias satisfaciendum fieri facias*, and attachment of real estate upon which the debt and costs may be

levied ;" whereupon the Clerk was required to issue such an execution, to be served by any Sheriff or deputy ; " all of which shall be as valid and effectual in law as if the same had issued on judgment regularly obtained according to the common and ordinary course of proceedings."

In 1795, four years after the Providence Bank was started, a second bank—the Bank of Rhode Island—was incorporated, with a capital of \$100,000. Its charter was practically the same as that of its predecessor, except that it gave even more arbitrary power in the matter of obtaining executions against the estates of debtors. The ten days of grace allowed by the charter of the Providence Bank were here omitted, and a simple protest before a notary public substituted for a demand in writing made of the debtor himself. Each bank thereafter chartered was given at least as much in the way of this extraordinary power, and the most of them were given more. For the charters granted in 1803 and later required neither demand in writing nor protest. It was sufficient that upon the failure of a debtor to meet his note when due, the officers of the bank should forthwith order the Clerk of one of the courts to proceed to issue the execution ; and there is nothing left for the latter to do except to issue it as directed. This was the form in which the "bank process" was incorporated in every bank charter granted from 1803 to 1818 ; and this was the extraordinary legislation which gave to the banks of Rhode Island so great an advantage over all other creditors in respect to the manner in which they were permitted to collect their debts, and undoubtedly contributed much both to attract capital into banking and to increase the power of the banking interests of the State.

By 1817 the opposition to the "bank process," which had been growing from year to year, resulted in the appointment of a legislative committee to consider the conditions and suggest a remedy. But even before this committee was ready to report, in February, 1818, the Legislature chartered ten new banks, to each of which were given the very powers to which opposition was then being made. This was followed, however, almost immediately by an act forbidding the further granting of such charters, but not disturbing the powers of those already granted. The "Dartmouth College" case, then in the courts, and decided in 1819, holding in effect that the grantor of a charter could not change the terms of the grant except with the consent of the grantee, doubtless did much to continue to the banks to which these powers had been given the full enjoyment of them long after public sentiment would otherwise have sustained, and even demanded their prompt and summary curtailment. It was not until 1836 that, headed by Thomas W. Dorr—afterwards the leader in "Dorr's rebellion"—the Legislature passed an act limiting the banks thereafter to the same remedies for the collection of debts as were possessed by individuals. There were at that time sixty-one banks in the State, of which thirty possessed the powers known as the "bank process."

I have noted that in 1795 the second bank was incorporated. It was not until 1800 that this was followed by another ; but from that time on bank charters were granted at frequent intervals. By the close of 1805 there were already thirteen in existence, with a capital of nearly \$1,500,000.*

All of the banks seem to have been wholly unrestricted in their issue of notes, which, however, were protected by most strict State laws against counterfeiting. And an attempt was made to guard against embezzlement or fraud on the part of the officers by not only requiring them to give large bonds, but requiring that three of the Directors, usually selected from the Board by rotation, should monthly make a careful inspection of the bank, and at least once a week inspect the more important details, such as amount of cash held, notes in circulation and the general balance sheet.

Nevertheless, collusion and fraud were not rendered impossible. The case of the Farmers' Exchange Bank of Gloucester was by far the worst of any, being the only failure prior to 1829, and indeed the only instance in early years in which the mismanagement was such as to affect the public at large. Its capital was \$100,000, of which only \$19,141.86 was ever paid in, and of this the Directors withdrew the portion that they had paid in, leaving only \$3,081.11. One of the directors who seemed to have a genius for finance, bought out eleven of the directors for \$1,300 each, paid out of the bank funds. He then borrowed of the bank \$760,265, giving his notes therefor, to be paid whenever the holders of a majority of the stock should demand payment ; and with an express provision that as he himself was the holder of the majority of the stock, he should determine when the notes were to be paid. The bank failed in 1809, at which time its only available assets were \$86.46 in specie ; while the bills in circulation were estimated to amount to \$580,000.

*One of these was the Rhode Island Union Bank, chartered in 1804, the promoters of which set forth that "the advantages accruing to the mercantile interest from the institution of well regulated banks have been so uniformly felt throughout the United States that they need no comment. It is presumed that a bank in which the mercantile and agricultural interests should be united would be productive of the most beneficial advantages to a State like ours, where those interests are so blended and dependent on each other. In the establishment of banks heretofore the interest of the farmer has not been sufficiently consulted, and the pledge of his real estate, the best security in his power to give, is not accepted. Impressed with these considerations, we, the subscribers, in order to further and promote those interests, do agree to establish a bank in the county of Newport, to be called the Rhode Island Union Bank."

In 1809, perhaps owing to the recent experience with the Farmers' Exchange Bank, a feeling that the security of the public demanded more accurate knowledge of the financial condition of the banking institutions upon which they had so greatly to rely, found expression in a legislative demand for regular reports; and from this time on the bank statements were regularly made and published.

In 1820, for the first time, the circulation of each bank was limited to the amount of its capital stock actually paid in, under penalty of forfeiture of charter and a fine of \$1,000 for violation. To the most of the banks, however, this limitation was not such as could be considered a serious restriction, inasmuch as their circulation had for years fallen within the limit.

The first charter granted after the large batch already mentioned as granted in 1818 was that incorporating the Hope Bank in Warren, June, 1822. In addition to the omission of the "bank process", its charter differed from those of the other banks in limiting the liability of the stockholders to the amount of the stock owned by them only in case none of the directors had violated the provisions of the laws relating to banks.

By 1826 there were 44 banks in the State, with an authorized capital of \$10,350,000, the capital actually paid in being somewhat less. This excessive development of banking in Rhode Island, as compared with other States, has been attributed—and undoubtedly very properly—to the combination of several factors. One was that already referred to above at some length—the "bank process"—with its very extraordinary advantages to banks in the collection of debts. Another was the fact that in Rhode Island, unlike most other States of that period, no bonus was required to be paid to the State as consideration for the grant of a charter; and a third cause which may have contributed to the same end is found in the freedom from taxation. Other States—notably so in the case of Massachusetts—imposed heavy taxes upon bank capital, profits, or dividends.

In 1829 came a great financial collapse in the manufacturing industries of New England which seriously affected many of the banks and led to the failure of one—the Farmers and Mechanics' Bank of Pawtucket. In this case—the only instance of failure since the Farmers' Exchange in 1809—the noteholders were fully protected.

April 3, 1832, the Burrillville Bank failed, with a circulation outstanding of \$49,000. It was redeemed in full; but there was, of course, a depreciation at the time owing to the uncertainty of even ultimate payment; and the loss of several years' interest to those holders of notes who did not then dispose of them at such prices as they would bring amounted to considerable.

Attention has been called above to the fact that the earlier charters had limited the liability of the stockholders to the amount of the respective shares of stock held by them, and that the charters granted after 1818, in addition to this limited liability, imposed a general individual liability of the stockholders in every case where the directors had violated the provisions of the banking laws. The charters granted a few years later—for example, those of 1828—also required that before resort could be had to the estates of individual stockholders the corporation should be first sued and the corporate property exhausted. From this point it was but a single step to absolute unlimited liability of stockholders—which was imposed in the charters of 1833 and most of the later ones, "provided that the corporation be first sued, and the corporate property be first exhausted in the payment of the debts of the corporation."

In 1836 an additional act relating to banks was passed in accordance with which no bank could be incorporated with a less capital than \$50,000; and requiring that at least one-half the capital should be paid in before business was commenced, and the remainder within six months thereafter. This act also provided for the appointment of Bank Commissioners to examine and receive the reports of the several banks in the State and report their condition to the General Assembly. This office was abolished in 1842 and not again created until 1857. In the interval the banks were required to make regular semi-annual reports to designated State officials, and the Governor was authorized to appoint a special commission to examine into the affairs of any bank should occasion demand. At this time, however, it had not been deemed necessary to have the date of the report unexpectedly determined; as a result banks were "fixed" for the regular annual or semi-annual examinations. For example, at the annual examination in October, 1835, forty-four banks, with a circulation of \$1,160,788, had in their vaults \$486,574. Three months later, with an unexpected examination, these same banks, with a circulation of \$1,294,292, were found to have only \$197,550 in specie.

The banks of Rhode Island, like those of Massachusetts, passed through the earlier panics without resorting to the suspension of specie payments; but in 1837 they found it necessary. But during the period of suspension they were not given the opportunity, even had they had the inclination, to extend their circulation. The Legislature passed an act restricting their notes to the normal issues during payment of specie, and required weekly reports of their condition with special relation to note circulation. It was also recommended by the Legislature that an arrangement be entered into for each bank to receive its bills that may have been collected by any other

bank, exchanging them weekly or oftener, paying interest upon the balance. And throughout the continuance of suspension each bank was obliged to receive on deposit and pay interest at the rate of 5 per cent.—afterward increased to 6 per cent.—any of its own notes.

In October, 1837, at the same time that the amount of loans and discounts which might be made was strictly limited, the amount of circulation in proportion to capital was limited as follows: Banks with less than \$50,000 capital to 75 per cent. of the capital; from \$50,000 to \$120,000, 65 per cent.; from \$120,000 to \$200,000, 40 per cent.; from \$200,000 to \$300,000, 30 per cent.; from \$300,000 to \$400,000, 25 per cent.; from \$400,000 to \$500,000, 20 per cent. In 1859 the limit was fixed at 65 per cent. for all.

The crises of 1837 and 1839 dealt lightly with Rhode Island banks, none being so embarrassed as either to interfere with the prosecution of their business or greatly to affect their profits. The only cases of failure were the Scituate, which failed before the panic, in 1836, and had arranged for the redemption of all its circulation before the general suspension of specie payments, and which was afterward reopened; and the Rhode Island Agricultural Bank, which failed in 1843.*

The panic of 1857 found the banking interests of the State active and prosperous, the banks having largely increased in number and capital during the previous four or five years. The number, however, through failure and voluntary liquidation, was reduced from 98 in 1857 to 93 in 1858 and to 90 in 1859. The safeguards of the legislation which had by this time developed were sufficient in general to secure note-holders against loss.

The table which follows will throw much light upon the whole history of banking in the State and will repay careful study.

STATISTICS OF BANKS OF RHODE ISLAND.

YEARS.	NO. OF BANKS.	CAPITAL STOCK.	CIRCULATION.	DEPOSITS.	LOANS AND DISCOUNTS.	SPECIE.	NOTES OF OTHER BANKS.
1809....	13	\$1,395,000	\$435,850	\$488,112	\$2,037,070	\$410,313	\$78,997
1810.....	13	.....	542,509	455,961	2,256,208	394,480	142,656
1811.....	13	.....	460,255	465,140	2,330,088	343,573	111,738
1812.....	13	.....	541,361	646,576	2,362,283	477,391	126,415
1813....	13	.....	769,922	1,092,960	2,587,269	534,042	245,274
1814.....	14	.....	549,405	636,016	2,386,513	431,865	44,666
1815.....	16	.....	576,496	320,759	2,566,211	358,167	77,094
1816.....	16	.....	536,852	283,017	2,152,050	251,658	114,855
1828.....	47	6,151,912	887,969	1,000,595	7,508,993	357,612	163,881
1829.....	47	6,098,307	675,305	808,787	6,909,611	342,165	122,125
1830.....	46	6,065,200	929,490	946,159	7,031,623	365,735	187,765
1832.....	49	7,112,683	1,208,044	1,159,508	8,550,693	354,680	230,330
1833.....	51	7,438,848	1,264,394	1,453,358	9,191,845	403,697	273,934
1834.....	58	8,041,132	1,251,435	2,273,237	9,607,285	467,407	261,109
1835.....	61	8,750,581	1,644,289	1,699,089	11,085,543	566,416	379,618
1837.....	62	9,837,171	1,864,132	2,113,270	13,401,344	243,482	430,426
1838.....	62	9,852,353	2,154,524	1,395,466	12,612,721	474,278	447,807
1839.....	62	9,868,773	1,886,108	1,554,905	12,895,325	462,002	342,409
1840.....	62	9,880,500	1,719,230	818,470	12,561,215	537,895	283,308
1841.....	62	9,823,558	1,565,880	1,455,682	12,194,485	327,206	318,998
1842.....	62	10,041,203	1,666,846	693,046	12,562,785	297,850	277,018
1843....	62	11,063,843	1,415,203	808,534	11,779,080	310,215	323,995
1844.....	61	10,133,213	2,886,570	1,577,266	12,621,542	382,615	526,350
1845.....	61	10,244,370	2,670,306	1,407,466	13,714,255	283,379	395,425
1846.....	61	10,665,402	2,534,309	1,292,854	14,151,267	280,158	400,315
1847.....	62	10,803,987	2,619,154	1,376,136	14,558,863	305,735	342,461
1848.....	62	10,037,241	2,698,495	1,260,499	14,501,940	320,581	532,936
1849.....	63	11,161,996	2,543,444	1,335,648	14,684,877	262,908	451,364
1850....	63	11,716,337	2,553,865	1,488,596	15,492,547	297,661	537,761
1851.....	69	9,418,810	3,076,593	1,910,018	17,871,385	277,715	626,305
1852.....	71	14,037,441	3,322,314	2,174,883	18,737,093	414,970	726,039
1853.....	77	15,917,429	4,895,529	2,238,856	22,844,911	359,693	844,329
1854.....	87	17,511,162	5,035,073	2,772,367	25,233,204	312,606	880,724
1855.....	92	18,682,802	5,404,104	2,914,596	26,385,458	385,767	1,157,251
1856.....	98	20,275,899	5,521,999	3,196,123	28,679,344	548,348	1,281,754
1857.....	93	20,334,777	3,192,661	2,510,108	25,823,152	570,850	860,778
1858.....	93	20,070,741	2,644,195	2,624,226	24,065,894	732,622	755,049
1859.....	90	20,321,069	3,318,681	3,130,475	25,131,150	608,833	802,660
1860.....	91	20,865,569	3,558,295	3,553,104	26,719,877	450,929	974,620
1861.....	90	21,070,619	3,772,241	2,986,956	27,980,865	471,581	966,079
1862.....	90	21,234,529	3,306,530	3,742,171	26,560,718	606,977	887,274
1863.....	88	20,890,129	6,413,404	5,376,414	30,779,988	505,270	1,361,209
1864.....	86	21,209,411	6,921,533	5,333,586	30,216,798	454,844	1,920,904
1865....	21	3,558,300	1,627,900	1,086,914	5,698,704	45,784	276,328

*In the case of this bank the cashier reported the amount of circulation outstanding at the time of the failure in October, 1843, to be only \$4,960; nevertheless, by January, 1845, there had been redeemed by the Commissioners appointed to close its affairs, the sum of \$8,334.

CONNECTICUT STATE BANK CURRENCY.

The first bank established in the State was the Hartford Bank, incorporated in 1792 with a capital of \$100,000, which might be increased at pleasure of the stockholders to \$500,000. The State also reserved the right to subscribe for forty shares at \$400 each, it taken within twelve months—as they were not. The charter, which was modeled after the articles of association of the Bank of New York, drafted by Alexander Hamilton, limited the number of shares which any person or corporation might hold, and further attempted, by the introduction of a graduated scale of voting, to secure to minorities full consideration of their interests.

One section enacts that "Said corporation shall not issue their Notes or Bills to an amount exceeding in the whole, fifty per cent. over and above the Capital Stock of said Bank, and beyond the Amount of Money actually deposited for safe keeping in said Bank."

On Wednesday, August 8, 1792, the doors of the bank were first opened for business. Its notes then issued were in denominations varying from \$1 to \$100 and all in the new decimal currency then just established by the United States. The bank began business with 30 per cent. of its capital paid in.*

"For a time," says Mr. Woodward in his history of the Hartford Bank, "the bills of the bank won confidence slowly, especially in rural communities. Not even the character and the wealth of the owners and managers could at once overcome the distrust attached to paper money. The experience of the generation then emerging from the Revolution had been too bitter to be soon forgotten."

But very shortly after the plan for the Hartford Bank was fairly under way, and even before it had received legislative sanction, another bank—the Union at New London—was in prospect. This was chartered at the same session of the Legislature, in May, 1792. Its capital was not to be less than \$50,000 and not more than \$100,000. By its charter, as by that of nearly every other bank thereafter chartered, it was enacted that "The total amount of Debts which said corporation shall at any time owe, whether by Bond, Bill or Note, shall not exceed fifty per Cent. over and above the Capital Stock of said Bank, and beyond the Amount of Monies at any Time actually Deposited in the Bank for safe keeping; and that all notes issued at the Bank, shall be paid at the Bank, on demand in Silver or Gold Coin."

In August, 1792, it was voted by the management of the Union Bank "that for the purpose of furnishing change, then much wanted in common dealings, there be issued by the bank small bills of the denomination of one penny, two pence and three pence, to the amount of £576 lawful money;" and subsequently other denominations from 4*d.* to 12*d.* were issued. There is no evidence to show whether or not larger notes were expressed in sterling, but the presumption is that they were not.

During the same year, 1792, the bank took steps looking to increased facilities for the redemption of its notes which are interesting as being the first recorded evidence which I have found of any solicitation on the part of bank officials for the convenience of the holders of their bills in presenting them for specie. The cashier was at this time directed to send to one of the directors living at Norwich \$500 in specie to be used by him in redeeming the notes of the bank in that town, "the same being with a view to the convenience of such persons as should be under a necessity of so exchanging them." Two years later, in October, 1794, the directors, having heard that there was a large amount of the bank's paper in the Union Bank at Boston, and that it was inconvenient for them to hold it, voted that "the cashier be directed to send about \$1,000 to Boston for the redemption of such paper;" and two months later he was directed to send \$1,400 more for the same purpose. In 1796, when the Boston banks found it necessary to refuse to receive the notes of any banks outside of the city, the Union Bank of Boston remarked that had all the banks been as attentive to the redeeming of their bills as the Union Bank of New London, this action on their part would not have been necessary. One result was that even as early as this the Union Bank of New London appointed an agent in Boston and furnished him with funds in advance for the purpose of redeeming its bills.

Before the close of the century, three other banks—the New Haven, October, 1792; the Middletown, 1795, and the Norwich Bank, 1796—were incorporated. The first of these found it so much more difficult than had been anticipated to secure the requisite

* The course of the Hartford Bank—which is still in existence as the Hartford National Bank—was a long, eventful and honorable one. Its charter gave the subscribers the right to increase the capital at pleasure to an amount not exceeding \$500,000. In the years 1796-8, \$38,400 was thus added to the capital; and in 1802, \$69,200 more. In 1803, the State commenced a series of subscriptions which in six years increased the capital by \$64,400. In 1806 and 1807, further individual subscriptions were made which brought the total up to \$545,200. The authorized capital was then increased to \$1,000,000; and the books of the bank were required to be open at all times for subscriptions from the funds of schools or ecclesiastical or charitable societies, with the right on the part of such associations to withdraw their money at any time on giving six months notice. These shares were non-transferable. By December, 1816, the entire amount of \$1,000,000 ordinary capital was subscribed and paid in, and in addition \$212,809 of non-transferable stock.

In 1865, the stockholders voted almost unanimously to change from the State to the National system, and July 1 of that year the institution commenced business as "The Hartford National Bank."

capital, that it was not until 1796 that it got into operation ; and the second did not actually begin business until 1801.

In 1803 the State passed an act subscribing to these five banks the surplus moneys then in the treasury accruing from the payment of certain of the United States stocks issued to the State of Connecticut upon the adjustment of the Revolutionary debt. The law further provided that after any such funds had been paid to any of the banks, the Comptroller should be furnished as often as he should require, not exceeding once a month, with a statement of the capital stock of the bank, of the debt due to it, the money deposited in it, of the notes in circulation and of the cash on hand—also having the right to inspect such general accounts in the books as relate to the statements rendered. Here appears the first attempt in Connecticut at the supervision of banks by State authorities, and the initial step was taken not for the protection of depositors or billholders, but the investments of the State.

In each of the years 1806, 1807, 1809, 1811 and 1814 one other bank was established. Their charters followed closely the provisions of those which had preceded them—limiting the debts of the bank, “whether upon bond, bill or note” (that is to say, the circulation) to fifty per cent. over and above the capital stock in addition to deposits. It was not customary to specify in the act a fixed amount of capital, but, setting minimum and maximum figures, to leave it to the stockholders in each case to determine what amount, within such limits, should be employed. Their charters also contained the provision noted in another connection reserving to certain privileged associations, educational, ecclesiastical and charitable, the right to subscribe for non-transferable shares, which might be withdrawn at any time upon six months notice.

The mainstay of New England in these years, and especially so in the case of Connecticut, whose manufacturing career had then barely commenced, was her commerce and shipping. To these the embargo of 1807, and the subsequent non-intercourse acts, proved singularly oppressive. Nevertheless, the banks continued strong, and did not suspend specie payments in 1814, when nearly all the banks to the south and west of them did so. “They issued their notes sparingly, keeping far within the danger-line. A currency proportioned to the needs of business held prices at a moderate level in those States, while the redundancy of paper caused high prices and reckless activity wherever the abuse existed. One market attracted buyers and the other sellers. Accordingly, streams of domestic and imported commodities flowed constantly westward and southward from New England. Coin moved in the opposite direction to meet the payments. Local settlements in New York, Philadelphia, and Baltimore were affected by paper, while specie was sent eastward, where its purchasing power was much greater. To both a sound and unsound currency applies the double truth of the parable : ‘to him that hath shall be given, and from him that hath not shall be taken even that which he hath.’” *

Upon the general suspension elsewhere, in 1814, the notes of the Connecticut banks largely disappeared from circulation, being either hoarded or sent in for redemption in specie. The issues of the suspended banks, west and south, rushed in and filled the vacuum. This not only deprived the Connecticut banks of their natural profits from circulation, but forced upon the State a very unsatisfactory currency. Hence, at a special session in January, 1815, the General Assembly passed an act granting to each bank in the State permission to issue bills to the amount of one half the actual capital, receivable for all debts due the bank, and payable in specie on demand two years after the close of the war. Officers were required to make semi-annual sworn statements to the General Assembly of the amounts outstanding. The previous October they had been authorized to issue notes of less denomination than \$1 for the payment of money only.

The banks also issued their notes, payable on demand in the notes of the banks of New York, or in specie two years after the close of the war. These notes were termed “facilities.”

Fractional notes, ranging from six and one-quarter cents to fifty cents, were freely issued under the provisions of the act of October, 1814. Individuals and corporations, barbers and bartenders, manufacturers and capitalists, the solvent and insolvent, further variegated the assortment of “shinplasters” by liberal contributions, some professing to call for money, and others for services.

At the close of the war the authority to issue post notes was withdrawn, and the issue by any unauthorized person or corporation of paper intended to pass in lieu of money was prohibited, and the law permitting banks to issue notes below \$1 was repealed.

In 1825 occurred two bank failures—the first in the State—one due to bad management and the other to fraud. †

* Woodward : One hundred years of the Hartford Bank.

† The first, in September, 1825 was the Eagle Bank, incorporated in 1811. In its management everything seems to have been left to the President, and his direction does not seem to have been particularly happy. The bank was one of those which sought by artificial means to maintain an extended currency, employing agents to put its notes in circulation at a distance from home. Its Rhode Island agent in one year put off more than \$200,000 of notes for this bank. \$132,000 of this was sent home from Boston for redemption just before it failed. At the time of its suspension the bank had in circulation

In the years 1822-'28 seven additional banks were incorporated;* in 1830 another, and in the four ensuing years fifteen more. This increase of banking capital, though considerable, was not so excessive as that which took place in the other New England States, nor was it of so speculative a character as that, for example, which took place in Massachusetts in the same and two following years. The banks seem to have had a more sound basis in the matter of actual contributions of the stockholders toward the capital than did those of Massachusetts of the period, and none of them failed in the ensuing years of panic and general liquidation.

Two provisions, in especial, of the charters of all the banks incorporated after 1830, are worthy of note. The first was that, "in case of the failure of said bank, the holder of the notes of said bank or corporation, of the denomination of \$100 and under, shall have a lien on all the assets of said bank or corporation, both real and personal, in possession, remainder and revision, and on all debts due to said bank, and on all claims in favor of said bank, of every nature whatsoever, and on all moneys and property of every description in the custody and possession of said bank at the failure thereof; and that every conveyance, assignment or transfer of any of the property and estate hereinbefore specified, made in expectation of the insolvency of said bank or corporation, or with a view to the same, shall be void."

The other was to the effect that upon the failure of any bank the president, directors, and cashier were to be liable as joint and several debtors if the debts of the corporation should exceed the limit specified in their charters—in all but three cases, 150 per cent. of the capital plus deposits.

Another act passed in 1835, forbade the issue of notes of less denomination than \$2 after July 1, 1835, and of less denomination than \$3 after January 1, 1836. After the suspension of specie payments in 1837 this was temporarily suspended on condition that all notes for less than \$3 should be redeemed in specie.

In 1837 a committee reporting on the condition of the banks of Connecticut called attention to the facts that it had been the practice of many of the banks to employ "agents who were daily engaged in withdrawing from their legitimate circulation the bills of other banks in the State, and substituting their own in their places; and when it cannot be done without, they pay a premium for exchange." For example, in 1836, it appeared that the Bridgeport Bank had exchanged through agents \$435,734. The presidents of the banks among which the practice was current met in 1837 and agreed to abandon it. The Legislature also prohibited the practice.

In 1837 the General Assembly provided for the appointment of two bank commissioners, whose duties were to inspect and keep careful watch of the banks. In this year the banks of Connecticut followed the leadership of New York in suspending specie payments, though generally in a strong condition. At the close of business on the last Saturday of March, 1837, the 31 banks in the State had in circulation their notes to the amount of \$3,998,325.30, which had been reduced by a year from that time to \$1,920,552.45; while the cash on hand had increased from \$415,386 to \$535,447. The banks withstood the shock without a failure.

From this time until 1849 there is little of moment to be noted. In 1848 for the first time banks were required to keep on hand at all times an amount of specie equal to one-tenth of the bills in circulation. About 1850 there began a rapid expansion, growing out of the excessive railway building and general speculative tendencies throughout the United States. The climax came in the autumn of 1857, resulting in a suspension of specie payments of two months duration. Between July 1, 1857, and January 1, 1858, the circulation of the banks of Connecticut was reduced from \$10,411,000 to \$4,130,000. Yet again the banks went through the crisis without a failure.

\$430,607 of demand notes, and \$732,630 of post notes not yet retired. Of its assets \$1,451,507 had been advanced to four persons or firms on very doubtful security, and only about \$300,000 were considered collectible. The bill-holders lost heavily.

About the same time somewhat similar trouble with the Derby Bank occurred. This bank, established in 1809, after several years of unprofitable operation, had wound up its affairs and the capital was distributed among the stockholders. After lying dormant for several years, the charter, in 1834 or 1825, passed into the hands of New York parties who, without contributing any capital to the undertaking, began at once to issue notes for circulation. These were first made payable at the Mechanics' Bank in New York, and afterward at the Fulton, when the suspicions of the former bank led them to decline longer to do business for the Derby. In November, 1835, it stopped payment with about \$80,000 of bills in circulation. Some of these were bought up at various discounts by debtors to the bank with which to settle their account, and the holders of others secured something by attaching the banking house and fixtures, but in general the circulation was almost a total loss.

* The following is a list of the banks chartered in the State of Connecticut prior to 1830:

Hartford Bank, May, 1792.
Union Bank, New London, May, 1792.
New Haven Bank, October, 1792.
Middletown Bank, October, 1795.
Norwich Bank, May, 1796.
Bridgeport Bank, October, 1806.
New London Bank, May, 1807.
Derby Bank, October, 1809 (Charter repealed in 1926).

Eagle Bank, October, 1811 (Failed in Sept., 1825.)
Pheix Bank, May, 1814.
Stonington Bank, May, 1822.
Windham County Bank, May, 1822.
Fairfield County Bank, May, 1824.
Mechanics' Bank, New Haven, May, 1824.
Connecticut River Banking Company, May, 1825.
Thames Bank, May, 1825.
Tolland County Bank, May, 1828.

In 1852 a "free bank" act was passed, modeled closely after that in operation in New York. The securities permitted to be deposited as a basis for circulation were the stocks of the United States, of either of the New England States, of New York, Pennsylvania, Ohio, Virginia, Kentucky, or of the cities of New York or Boston, or any incorporated city in Connecticut.

Fourteen banks were organized under the act; but their operation under it was of short duration, there being so great a preference manifested for the system of chartered banks.* In 1855 they were all specially incorporated by a general act, the terms of which, when accepted by the banks, permitted the issue of notes to the amount of 150 per cent. of the paid-up capital. The stock and bonds theretofore deposited with the Treasurer as security for notes issued under the free banking law were to be returned as fast as the circulation for which they were pledged was returned for destruction. The notes were given a first lien upon the assets, as in the case of the other chartered banks, and in general they were subject to the same provisions of law. In the same year the circulation of all banks was limited to 125 per cent. of the capital; and in 1858 further restricted to 75 per cent.

The Connecticut banks generally redeemed their notes in Boston, but in 1862, exchange on Boston being against New York, the Suffolk Bank gave notice to the Connecticut banks that it would thereafter charge them exchange on New York funds sent to Boston for the redemption of their circulation. The difficulty of procuring sufficient Massachusetts funds to serve the purpose resulted in several of the banks in the southwestern part of the State withdrawing their deposits from Boston and making their redemptions mainly in New York, keeping a small balance in Boston to provide for the inconsiderable amounts that found their way there.

By 1866, 67 of the banks of Connecticut had gone into the National Banking system, leaving only 8 in operation under the State charters.

STATISTICS OF BANKS OF CONNECTICUT.

YEARS.	NO. OF BANKS.	CAPITAL STOCK.	CIRCULATION.	DEPOSITS.	LOANS AND DISCOUNTS.	SPECIE.	NOTES OF OTHER BANKS.
1834	28	\$6,851,909	\$2,407,496	\$1,167,964	\$8,307,824	\$118,640	\$37,724
1835	31	7,350,766	2,685,400	1,257,030	8,899,656	129,108	52,632
1836	31	8,519,368	3,874,212	1,465,977	11,736,163	.....	63,094
1837	31	8,744,697	3,998,325	1,484,966	13,246,945	415,386	296,725
1838	31	8,754,467	1,920,552	869,801	9,769,286	535,447	250,775
1839	31	8,832,223	3,987,815	1,285,867	12,226,947	502,180	223,190
1840	31	8,806,204	2,325,589	863,526	10,428,630	499,032	161,245
1841	31	8,826,382	2,784,721	1,182,583	10,944,675	454,298	171,258
1842	31	8,876,317	2,555,638	1,062,725	10,683,413	471,238	206,728
1843	31	8,580,393	2,379,947	1,061,944	9,798,392	438,752	179,274
1844	31	8,292,238	3,490,963	1,847,447	10,842,955	445,430	257,561
1845	32	8,359,748	4,102,444	1,969,801	12,315,387	454,508	264,405
1846	32	8,409,544	4,565,466	1,893,273	13,031,865	481,832	276,758
1847	32	8,605,742	4,437,631	1,782,921	12,781,857	462,165	227,481
1848	33	8,726,381	4,891,265	2,023,721	13,424,654	517,700	227,603
1849	36	8,928,264	4,511,570	1,831,291	14,043,096	575,656	196,268
1850	37	9,152,401	4,888,029	2,251,525	14,510,178	583,841	221,378
1852	51	12,509,807	7,118,625	3,472,210	20,572,263	825,379	316,668
1853	53	13,164,594	10,224,441	3,542,935	24,601,165	1,145,857	436,538
1854	63	15,597,891	11,219,566	3,910,160	28,292,321	1,207,381	459,502
1855	68	17,147,385	6,871,102	3,433,081	23,704,458	810,101	341,754
1856	71	18,913,372	9,197,762	4,090,835	28,511,149	1,006,493	367,319
1857	74	19,923,553	10,590,421	4,688,843	33,108,527	1,129,708	443,900
1858	76	20,917,168	5,380,247	4,140,088	26,799,430	915,844	273,381
1859	74	21,512,176	7,561,519	5,574,900	27,856,785	989,920	326,617
1860	74	21,606,997	7,702,436	5,506,507	30,518,689	950,753	373,853
1862	75	21,794,937	6,918,018	6,142,754	27,086,326	1,529,855	404,923
1863	75	21,812,943	13,842,758	8,890,237	29,873,190	1,423,009	892,236
1864 .....	..	20,606,962	11,869,701	9,990,643	28,569,876	1,198,372	.....

BANK CURRENCY OF OTHER NEW ENGLAND STATES.

MAINE.

Prior to the admission of Maine into the Union the incorporation of banks within its borders was secured through the General Court of Massachusetts, of which the province of Maine was then a dependency. The earliest institution of its kind was the Portland Bank, established June 15, 1799. This was followed in the years 1802-4 by

* "Long experience in this State has shown that when the chartered banks have been carefully guarded, and when the Bank Commissioners have faithfully discharged their duties, the community have been furnished with a safe circulation. We are not satisfied that, as a whole, this system of establishing banks is not, to say the least, fully equal to any general banking law which has yet been devised."—*Report of Bank Commissioners of Connecticut, 1855.*

the Maine Bank, also at Portland, and by other banks at Wiscasset, Hallowell and Saco. Between 1804 and 1812 only one other bank was established; but in the latter year the banking "boom" which was being felt in the other parts of the United States struck the Province of Maine, and in 1812 and 1813 seven more banks were established. During the next two years six others, with a capital of \$100,000 each, were started, followed in 1819 by two more—making a total of twenty-one banks. But several of the earlier institutions had in the mean time failed or stopped payment. So that in 1820, at the time of the admission of Maine into the Union, the number of banks in operation is reported to have been only fifteen, with a capital stock of \$1,654,900 and circulation of \$1,380,572.

Up to 1820, the history of banking in Maine is thus most intimately connected with that of Massachusetts, whose general laws as to the circulation of small bills, issued by unauthorized companies, semi-annual returns, etc., were applicable to Maine. Prior to their recharter about 1812, the circulation of the banks was generally limited to twice their capital; after 1812, to 150 per cent. They also followed the charter of the State Bank of Massachusetts in provisions for individual liability of directors in case of excessive issues, etc.

For some years after 1820, few additions were made to the bank capital of Maine—the number of banks reported in 1832 being but eighteen. The provisions of the charters under which these were acting were mainly based on those granted in Massachusetts. There was, however, in these years little done in the way of supervision or examination of banks, and, the conditions being thus rendered favorable for such schemes, there were several instances of failure caused by the withdrawal of the actual capital by irresponsible parties who had managed to secure control of the institutions. Such seems to have been the circumstances attending the failure of the Castine, Hallowell and Augusta, Wiscasset, Kennebec and Passamaquoddy banks, all of which were broken before 1829. In nearly every instance a large proportion of the circulation was a total loss to the note holders. The bills of the first three named banks reported in circulation four months before their failure amounted to \$460,000.

The first comprehensive banking law of the State was that of March 31, 1831. Under this act all banks thereafter chartered were required to operate. Before business could be commenced at all 50 per cent. of the capital must be paid in, and the remainder within six months thereafter. No bank was permitted to loan upon the pledge of its own stock. The aggregate liabilities of all the directors were limited to one-third of the capital and no one stockholder was to own more than 20 per cent. of the capital. Several of these provisions were prompted by the experience had with failures of several of the earlier banking institutions, in nearly every one of which the trouble was directly traceable either to failure of the subscribers to pay in cash the amount of their subscriptions, or to the practice of loaning to subscribers upon the pledge of their stock.

The aggregate amount of notes in circulation was limited to 150 per cent. of the capital stock actually paid in, and the total debts to be contracted to twice the capital. In case of excess of indebtedness over these limitations, the directors were personally liable. Bills under one dollar were prohibited, and the proportion of those under \$5 limited to one-fourth of the capital. This, as well as the provision imposing a penalty of two per cent. a month for failure to redeem in specie on demand, was borrowed from the Massachusetts law. In case of any deficiency arising from official mismanagement, the directors and stockholders were to be held individually liable for an amount not exceeding the stock held. And upon the expiration of the charter, the stockholders were held severally liable in the same manner for two years for the redemption of the bills outstanding. The act also provided for the appointment of two Bank Commissioners and made all the banks subject to their inspection and slight supervision.

This act of 1831, just preceding as it did the expiration of a large number of the older charters, and the banking expansion which came with the failure of the second United States Bank to obtain a renewal of its charter, soon became the general basis of the entire banking system of the State. New banks were thereafter created, as they had been in the past, only by special act of the Legislature; but all were made subject to the provisions and limitations of the "Act to regulate banks and banking" of March 31, 1831.

The great increase in the number and capital of the banks of Maine, as shown by the table at page 19, is marked; and the reduction in the next half a dozen years scarcely less so. The expansion was, as in other States, speculative in character, and many of the institutions then started were founded where in normal times so much banking capital could not be profitably employed.

Yet at the time there was a continuous cry for more banking capital. In 1836, after an increase of more than 100 per cent. in less than four years in the amount of capital employed, the Committee on Currency, in answer to such demands, went so far as to recommend the establishment of a State Bank to be owned entirely by the State, the capital of which should be raised by a loan of \$8,000,000. The State itself was to guarantee all bills, which were to be limited in amount to twice the capital. So promising was the outlook for additional banking projects that the Committee had

no difficulty in figuring out sufficient profits to accrue in ten years to repay the loan of \$8,000,000, principal and interest, and by the expiration of the charter—30 years—to leave a surplus of more than \$45,000,000 net profits to the State.

The State Bank was not chartered, but numerous private banking corporations were; and by January, 1837, the number in operation was fifty-five, as compared with eighteen five years before. Nineteen of them had gone into operation within a year. But their circulation, owing to the constant process of redemption to which it was subjected through the so-called "Suffolk" system, had not increased in proportion. During 1836 it actually decreased nearly half a million dollars, in spite of an increase of nearly a million and a half in capital stock during that period.

There were always those whose constant cry was "more money." They complained in 1835 that the circulation was too restricted to permit borrowers to obtain on easy terms the funds with which to pay their loans—noting that it was less than the amount of the capital stock, notwithstanding the fact that the law permitted it to be one-half greater. They wanted expansion, and rightly appreciating the action of the redemption system, constantly tending to retire any excess of circulation as soon as manifest, they sought such legislation as would prevent the banks from redeeming their notes elsewhere than at their own counters, hoping thereby "to render them independent of foreign power and influence." The Bank Commissioners, however, alluding to the same discrepancy between the authorized and the actual issue, rightly accounted for it as due to the limitations which the natural laws of exchange imposed; and, so far from objecting to the methods of redemption as an evil, expressed their belief that there was no danger of excessive issues so long as the system of redemption remained unchanged, as under it no bank could keep in circulation for any length of time the amount authorized by law, unless the actual demand was really urgent.

But the financial revulsion of 1837-9 and the straitened condition of affairs in the following years, demonstrated the inability of so many banks to profitably employ their capital. A few—mainly institutions in which there was crookedness in the management—failed.*

The larger part of the reduction, however, was effected legitimately through the surrender of charters which the management found no longer valuable. In these cases the stockholders suffered severely, the public comparatively little. As to the combined effect of the whole reduction from 55 banks with a capital of nearly five and a half millions to 39 banks with a capital of three and a third millions, involving the loss of nearly two millions of capital, the Bank Commissioners in 1842 state that "it has mainly fallen on stockholders; not more than about \$175,000 have fallen upon innocent bill-holders." In other words the average loss to bill-holders during the six years of the panic and liquidation was less than \$30,000 a year on an average circulation of \$1,590,000—less than two per cent. of the average circulation, and less than one-half of one per cent. of the circulation of the banks of the State of Maine annually handled by the public.

Prior to the suspension of specie payments in 1837 the banks of Maine had been compelled by legislation to withdraw their bills below \$5, and in 1838 the Commissioners reported that the amount of such denominations was less than \$35,000. The object of the law, however—the securing of a substantial circulation of specie—was defeated by the circulation within the State of the small notes of banks of neighboring States. In fact, the Commissioners in 1838 estimated such small bills to constitute one-third the active circulation of the State.

By the act of March 13, 1838, the issue of notes was more closely limited than theretofore, being fixed at 100 per cent. of the capital in banks whose capital did not exceed \$50,000; 75 per cent. of the capital in the case of banks employing more than \$50,000 and not more than \$150,000 capital; and 66 2-3 per cent. in the case of banks having more than \$150,000.

In 1846 the Senate Committee on banks, reporting a bill to continue the banks whose charters were about to expire, say:

"The committee are of the opinion that our present banking laws are compara-

* An instance of this is the case of the Globe Bank. After the worst of the storm had been successfully weathered, the institution had been gradually liquidating its liabilities until on August 18, 1840, its circulation was less than \$10,000. Then commenced a series of transactions with New York parties which carried the circulation up to \$74,000 in a very short time. It began with the granting of a loan of \$11,000 to Joseph M. Truc, a young dry goods merchant in New York, followed by another loan of \$20,000 to the same person a few days later. Shortly after this one of the directors bought up 208 shares of stock in the bank at from \$20 to \$30 each, and sold them to Truc at par. The latter was then chosen a director, and proceeded immediately to borrow \$16,000 more from the bank. In December Truc failed. Two gentlemen from the interior of New York State then appeared on the scene and purchased all the stock then held by Truc together with some others, amounting in all to 269 shares. At the same time the bank discounted for these purchasers their notes amounting to \$58,000, of which they received \$27,000 in the Truc paper, and the balance in bills of the bank for circulation by them in New York State. At the time of a legislative investigation of the transactions in 1842 it appears that of the total capital of \$100,000, \$48,700 were owned by the bank itself—having been taken for debts. The major part of the assets at that time consisted of the notes given by the New York purchasers of stock. Other instances of similar schemes for the substitution of irresponsible foreign stockholders for the original subscribers, and thus enabling outside speculators to secure the credit and means of Eastern banks as a capital for their maneuvers in distant parts of the country, are the cases of the Washington County Bank, the Frankfort Bank, the Stillwater Canal Bank, and the Bank of Old Town.

tively safe, and experience shows that no losses to bill-holders have occurred in the last fifteen years where a reasonable discretion was exercised by the Legislature in granting charters. The revised statutes contain several salutary provisions not embraced in the Banking law of 1831 ; and it is believed with a due diligence on the part of Bank Commissioners, and a rigid enforcement of the proposed law, the redemption of all bills will be effectually secured."

The recommendations of this committee were the basis of the act of August 10, 1846, extending until October 1, 1857, the charters of all banks in the State. The most important change of law thereby made was in the matter of circulation. This law provided that for all amounts of circulation issued in excess of 50 per cent. of the capital, one dollar in specie should be kept for three dollars in bank-notes issued, and that the total amount of circulation should never exceed the capital plus the amount of specie on hand. For example, a bank with a capital of \$100,000, if it possessed only \$5,000 in specie, might lawfully issue only \$50,000 + 3 × \$5,000, or \$65,000. If it possessed \$25,000 of specie, it might issue \$50,000 plus \$75,000, or \$125,000 ; while for all circulation above \$125,000 it must hold specie, dollar for dollar. Cashiers were required to keep weekly balances showing outstanding circulation, and a penalty of ten per cent. was imposed for over-issue.

Early in the fifties there began another expansion of banking. As in other periods of speculation, the immediate results were eminently satisfactory to the banks, which quite generally diviled 10 per cent. per annum in the years 1853-1855. But their foundation was unsound, and many of those projected failed to secure the requisite capital to comply with the law. For example, of the seventeen chartered in 1853, four never went into operation, and two others—Shipbuilders' and Canton—were in the nature of private speculations which failed disastrously. In 1854 eleven were incorporated, two of which—Mousam River and Grocers'—afterward failed ; in 1855 eight were incorporated, two of which never organized, and one other afterward failed, while several of those incorporated in the next two years were never started.

This era of speculation culminated in the crisis of 1857, which carried down several of the banks just started. The safeguards imposed by earlier legislation, however, were sufficient in most cases to secure to the note-holders full payments of their claims, though stockholders were heavy losers.

STATISTICS OF BANKS OF MAINE.

YEARS.	NO. OF BANKS.	CAPITAL.	CIRCULATION.	DEPOSITS.	LOANS AND DISCOUNTS.*	SPECIE.	BILLS OF OTHER BANKS.
1832	18	\$1,823,850	\$885,408	\$566,224	\$2,789,352	\$198,437	\$41,618
1833	29	2,931,000	1,358,914	701,079	4,359,874	137,420	132,701
1836	36	3,785,000	2,346,076	1,402,145	6,631,185	207,765	287,629
1837	55	5,226,700	1,912,418	1,665,277	7,821,023	387,169	266,606
1838a.....	50	4,984,000	1,177,555	826,806	6,549,182	271,981	113,988
1839	50	4,771,500	1,909,097	927,281	6,913,471	241,951	170,205
1840	49	4,671,500	1,224,658	669,199	5,901,611	195,699	133,479
1841	47	4,371,500	1,754,390	870,745	5,820,792	269,730	213,738
1842	40	3,414,000	1,585,820	792,598	4,987,519	183,861	145,029
1843	40	3,314,000	1,106,261	542,017	4,405,660	175,301	103,522
1844	35	3,009,000	1,606,663	927,498	4,279,331	223,769	139,832
1845	35	3,009,000	1,980,538	1,116,961	4,785,313	192,445	217,427
1846	35	3,009,000	2,242,846	1,215,538	5,269,068	262,237	165,537
1847	32	2,834,000	2,545,011	1,647,811	5,150,208	472,776	265,890
1848c.....	31	2,920,000	2,315,521	1,107,387	5,189,088	521,536	182,353
1849b.....	32	3,098,000	2,252,764	1,119,252	5,275,171	339,231	179,093
1850b.....	32	3,248,000	2,654,268	1,223,671	5,830,220	475,589	187,435
1851b.....	39	3,808,100	3,195,753	1,523,812	6,883,347	610,651	250,468
1852c.....	39	3,923,000	3,254,882	1,525,627	7,042,461	622,301	224,364
1853c.....	46	4,615,580	4,519,113	1,974,769	8,710,749	936,968	425,503
1854	60	5,913,870	5,317,750	2,545,673	11,166,519	1,132,610	365,490
1855c.....	70	7,326,302	5,057,297	2,548,999	12,770,181	877,166	399,798
1856	75	7,899,794	5,077,248	2,115,202	13,066,957	753,085	464,562
1857	76	8,135,735	4,641,646	2,116,526	13,277,621	703,143	375,216
1858	79	7,614,200	2,964,327	1,743,939	11,210,215	615,441	45,122
1859	68	7,408,915	3,886,539	2,472,993	11,815,127	663,754	273,304
1860	68	7,506,890	4,149,718	2,499,138	12,654,794	670,980	290,225
1861	71	7,656,250	4,313,005	2,869,873	13,406,295	653,334	308,707
1862	71	7,970,650	4,047,780	3,376,28	12,679,244	710,392	219,370
1863	69	7,983,000	6,488,473	5,076,107	13,658,172	747,145	527,107
1864a.....	69	7,151,900	5,921,428	5,390,741	15,501,520	676,674	660,973
1865	48	5,533,000	4,459,493	3,609,041	11,820,668	501,178	514,191

* Including stocks, etc. a, June ; b, October ; c, May. Other dates, January 1.

NEW HAMPSHIRE.

The first bank in New Hampshire was the New Hampshire Bank, chartered in 1792 to continue fifty years. It was located in Portsmouth, and was to have a capital of \$160,000. For ten years it occupied the field alone; but in 1802 came the incorporation of the New Hampshire Union Bank, followed in 1803 by the Strafford, Portsmouth, Coos, and Cheshire Banks, and in 1806 by the Concord Bank.

By the original charter of the Concord Bank the stockholders were jointly and severally liable in the private capacities for the payment of all notes; but by the act extending the charter in 1824 this section was omitted.

Little data is accessible as to the condition of New Hampshire currency in the early years. The crisis of about 1809, however, which so violently shook the financial system of all New England, seems to have dealt severely with New Hampshire. The notes of the Cheshire Bank were quoted in Boston in 1809 at a discount of from 30 to 40 per cent.; those of the Hillsborough Bank at from 30 to 50 per cent.; while those of the Coos Bank, which was an especially disastrous failure, were at a discount of from 40 to 60 per cent.

As the number of the banks in the State and their indebtedness to the public increased it became advisable for the State to exercise some control over them, and an act was passed June 21, 1814, which required annual reports to be made by the banks to the State authorities. By 1831 the number of banks in operation was twenty-one, with an aggregate capital of \$2,065,310, and a circulation of \$1,107,901. The circulation of the banks was limited to the amount of the capital stock. But the practice of making loans to stockholders on the pledge of their stock resulting in diminution of the capital actually employed, practically the same as though it had never been paid in, by the act of July 5, 1837, it was enacted that from and after the 1st of January, 1839, the amount of loans on the pledge of capital stock should be deemed a diminution of capital, so far as concerns the basis of circulation, which should thereafter be limited to the amount of the capital exclusive of pledged stock. This act also required quarterly reports to the Secretary of State in lieu of the annual reports as theretofore.

In January, 1832, acts were passed prohibiting the emission and circulation of bills of small denominations. On July 4, 1838, owing to the cessation of specie payments and the consequent disappearance of small change, this last provision was suspended until July 1, 1840.

As in other New England States, the years following the financial crisis of 1837-1839 constitute a period of liquidation in which banking materially declined. By failures and voluntary liquidation by stockholders the number of banks decreased from twenty-eight in 1839 to seventeen in 1845.*

* Among the failures was that of the Concord Bank. Its paid-up capital, which had originally been \$60,000, was increased in 1824 to \$100,000, and a second renewal of the charter extended the period of its corporate existence to 1846. The management seems to have been left very largely to the cashier alone, without much attention either from the State authorities or from the Board of Directors. In 1841 the Bank Commissioners stated that no examination of the affairs of the institution had been made from 1812 to that time; and a statement of the debts due the bank, made by the cashier and laid before the Board of Directors in 1839, seems to have been the only statement even submitted to them, and gave them the first intimation of certain large debts due the bank. Of the \$196,000 bills receivable the cashier himself had borrowed directly \$40,000, and as surety for individuals and companies in which he was interested about \$90,000 more. In 1840 the Directors got certain parties to give a bond for \$30,000 to the Suffolk Bank to secure the redemption of the bills of the Concord Bank, and assigned \$50,000 of the best assets of the bank to secure the bondsmen. Owing to the dissatisfaction of the Suffolk Bank with this bond it was replaced by one given by certain stockholders, and the securities for their indemnity were increased to \$80,000. On receiving the bond the Suffolk Bank ceased to redeem the notes, having then over \$29,000 of the bank's bills in its vaults. In addition to these there were outstanding about \$59,000 in bills. The deposits by individuals and by banks at the same time amounted to about \$70,000. At the time of the failure the bank had less than \$700 in specie.

In the case of the failure of the Wolfborough Bank, the fact was brought out that upon the incorporation of the bank in 1834 the entire capital of \$100,000 was paid in in cash by the subscribers, and upon the same day the same money was loaned to them, each receiving back as a loan the money paid in by him. The stock was pledged in each case as security for the loan. The stock was largely owned in New York, and nearly the entire amount of its \$38,000 circulation was put in circulation at New York and other places out of the State.

In 1840, after the failure, the Commissioners reported that the officers of the bank state, under oath, that the bank had paid and secured every dollar of circulation within the State, so far as known to them; and that the bills of the bank unredeemed and unsecured rested in the hands of persons in the City of New York; and that the bank, so far as it had redeemed at all, had redeemed its bills at par. They were not then putting any bills in circulation, and expressed the hope and belief that eventually they should be able at least to redeem their entire circulation. Of their total loans, however, of \$142,000, \$105,000 had been borrowed by a single individual without any security except a lien upon previously mortgaged real estate.

Another instance of the deceptive character and wholly unsatisfactory basis of a capital stock not actually paid in is that of the Lancaster Bank, organized in 1833 with a capital stock of \$50,000. The records showed that but 25 per cent. was paid in cash, and the remainder in the notes of stockholders. The capital actually paid in was thus but \$12,500, against which the bank had outstanding, April 1, 1837, circulating notes to the amount of \$48,000. Here, as in several other instances of banks with insufficient foundation, attempts were made to sell the interests of the stockholders to outsiders; but they failed.

The general facts as to the development of the banking interests of the State in the period 1831-1866 can be obtained from the following table:

STATISTICS OF BANKS OF NEW HAMPSHIRE.

YEARS.	NO. OF BANKS.	CAPITAL STOCK.	CIRCULATION.	DEPOSITS.	LOANS AND DISCOUNTS.	SPECIE.	BILLS OF OTHER BANKS.
1831	21	\$2,065,310	\$1,107,901	\$275,055	\$2,915,439	\$483,378a	.....
1832	22	2,176,422	1,128,091	264,359	3,216,159	321,121a	.....
1833	22	2,271,308	1,238,643	361,860	3,390,826	464,571a	.....
1834 . . .	24	2,454,308	1,068,145	314,971	3,450,820	354,390	\$92,623
1835	25	2,555,008	1,347,124	437,797	3,805,383	.....	110,508
1836	26	2,663,308	1,526,112	816,570	4,501,701	535,960	84,949
1837 . . .	27	2,839,508	1,662,953	1,147,374	4,829,562	790,175	154,306
1838	27	2,839,500	1,111,074	466,092	4,200,245	148,793	109,308
1839	28	2,939,500	1,510,691	522,036	4,476,442	187,961	128,816
1840	27	2,837,508	1,088,750	420,801	4,099,612	193,359	64,594
1841	26	2,735,000	1,229,708	429,532	3,859,853	194,311	110,263
1842	27	2,789,500	1,027,488	371,234	3,831,454	177,071	115,493
1843 . . .	24	2,469,200	916,147	354,395	3,173,825	162,126	182,743
1844	19	2,008,298	1,021,914	394,778	2,760,009	137,253	75,830
1845	19	1,587,488	1,124,531	696,492	2,768,730	136,187	100,397
1846	17	1,619,000	1,375,985	544,987	3,015,139	126,679	86,541
1847 . . .	19	1,738,500	1,508,129	479,348	3,174,999	141,794	87,302
1848	21	2,088,000	1,514,420	440,332	3,613,736	161,711	64,198
1849	23	2,178,000	1,508,608	443,639	3,779,509	155,707	51,455
1850	22	2,263,950	1,751,096	453,671	3,852,157	149,571	109,817
1852	31	3,076,000	2,625,707	743,857	5,669,446	175,157	120,929
1853	35	3,376,000	3,021,579	868,357	6,518,188	180,239	157,667
1854	36	3,626,000	3,079,548	775,410	6,891,621	176,434	121,860
1855	46	4,449,300	3,589,482	958,474	8,037,427	236,411	241,383
1856	49	4,831,000	3,677,689	1,058,803	8,846,421	236,013	136,504
1857	47	5,041,000	2,289,939	875,789	7,389,813	275,933	158,132
1858 . . .	52	5,041,000	3,115,643	1,069,920	8,250,754	294,423	170,994
1859	52	5,016,000	3,271,183	1,187,991	8,591,688	255,278	181,964
1860	51	4,981,000	3,332,010	1,234,627	8,794,948	243,719	157,385
1861	52	5,031,000	2,994,408	1,376,853	8,368,941	318,106	203,822
1863	52	4,678,700	4,192,034	1,725,866	7,513,369	356,000	314,327
1864	50	4,595,500	4,294,787	1,714,089	9,271,391	236,779	.....
1865	45	3,949,725	3,554,568	1,418,126	7,848,007	152,261	.....
1866 . . .	22	1,114,900	1,023,252	314,078	2,324,858	20,905	.....

a. Including deposits in Boston for redemption.

VERMONT.

In 1806, after repeated unsuccessful attempts on the part of individuals to secure the incorporation of a bank, the Legislature—for the purpose of superseding private applications and, as was supposed, securing to the State the whole *profits* of banking—created the Vermont State Bank, to be the property of the State and managed by 13 directors chosen by the Legislature. The treasurer of the State advanced about \$500 to buy plates and paper, which was the extent of the actual capitalization of the institution. No bills were to be issued at either of the two branches in excess of the specie on hand until that should amount to \$25,000; after which it was authorized to issue not exceeding three times the amount of specie until it amounted to \$300,000. The manner in which the bank went into operation seems to have been by exchanges of specie for notes, dollar for dollar, made by prospective borrowers until the required \$25,000 specie was obtained, and then loans were made to them in the bills of the bank.

The bank commenced the issue of bills in February, and by September 30, according to a report by the directors,* there had been loaned \$139,757.23. The bills were of the denominations of 50c., 75c., \$1, \$1.25, \$1.50, \$1.75, \$2 and \$5.

The scheme worked so well at the outset that in 1807 two other branches were established. To give confidence to the holders of the bills, the treasurer was directed to deposit in the branches all the funds of the State; and by various enactments the credit of the State became fully pledged for the redemption of the bills of the bank. But having in other respects no real capital, it was soon found that the bank was in danger of suffering from the want of punctuality on the part of debtors and the slow process of collections in the ordinary course of law; to remedy which, in 1809, the cashiers were virtually constituted a court of record and authorized to enter up judgment summarily and issue execution on all debts due more than *three days* to their respective branches. Thus did Vermont introduce practically the same

* This report closes with the following: "The obstacles which were inseparable from an institution established on principles hitherto unattempted in the banking system have been happily surmounted and the practicability of those principles established. The high credit and extensive circulation of our bills, we trust, are sufficient to inspire the public confidence, and to insure a continuance of their patronage. Under the fostering care of the Legislature, we are induced to believe that this institution may become highly conducive to the convenience of the citizens, and a productive source of revenue to the State."

“ bank process ” as that described at more length in connection with early banking in Rhode Island.

In 1810 the loans were restricted to twice the amount of specie on hand, and in no case to exceed \$1,000 to any one person or company. The bills were also made a legal tender for taxes and in redemption of property sold for non-payment of taxes. All this availed nothing, however ; by 1811 one branch had been closed, and a committee was appointed to inspect the others, which were well on the way to insolvency.

In 1812 a land tax was assessed upon the State of one cent per acre for the purpose of raising funds with which to redeem the bills of the bank, the affairs of which were being closed as speedily as possible.

The amount of loss to the State treasury was never definitely ascertained. All other creditors of the bank were paid in full. About \$230,000 of the bills received by the treasurer of the State were never redeemed by the bank—viz. : \$130,000 received in payment of taxes prior to the imposition of the land tax, and about \$100,000 raised by the land tax for the redemption of such as were then outstanding. The assets of the bank were reported as being available for about \$30,000 ; but whether more or less was realized is not apparent. Accepting this estimate, it would seem that the State lost about \$200,000 on the venture. The affairs of the bank were not all settled up until about 1845.

After the disastrous ending of the State Bank it was not until 1817 that another banking institution was incorporated in the State. In that year a charter was granted for a bank at Windsor, with a capital of \$150,000. But it contained a clause making the stockholders liable in their persons and property for all demands against the bank which should not be paid within three days after due. This was sufficient to discourage subscriptions, and no attempt was made to put the bank into operation. The next year a charter free from the obnoxious provision was secured.

In 1818 the Windsor and Burlington banks were incorporated, to continue until January 1, 1834, with nominal capitals of \$100,000 and \$150,000, respectively. Brattleborough Bank was next chartered in 1821, with a capital of \$100,000. Between 1824 and 1827 charters were freely given, and by the latter date ten were in existence.

Prior to 1831 there was no general statute in force relating to banks ; but the powers, duties and liabilities of each were regulated by its separate act of incorporation—the charters of the several banks being nearly uniform in their provisions. In general the limit of the amount of capital only was specified ; but a bank might go into operation upon the payment of a small proportion of its nominal capital, and the amount of additional capital actually employed depended upon such assessments on the stockholders as the directors might from time to time make. The banks were required to pay their bills and liabilities on demand in specie ; were prohibited from dealing in real estate or goods and limited to six per cent. interest charges. Their

STATISTICS OF BANKS OF VERMONT.

YEARS.	NO. OF BANKS.	CAPITAL STOCK.	CIRCULATION.	DEPOSITS.	LOANS AND DISCOUNTS.	SPECIE.	NOTES OF OTHER BANKS.
1834	17	\$921,815	\$1,463,713	\$180,792	\$1,870,813	\$50,958	\$66,442
1836	19	1,125,624	2,086,860	348,875	2,594,675	76,802	126,048
1837	19	1,274,970	1,457,441	282,283	2,405,249	97,333	53,793
1838. . . .	19	1,304,530	2,043,843	330,772	2,705,367	157,033	118,196
1839	19	1,325,530	1,966,812	308,349	2,888,812	129,319	92,684
1840	17	1,196,770	1,099,784	238,574	2,011,296	120,315	74,041
1841	17	1,116,026	1,599,458	217,373	2,121,581	94,507	82,777
1842	17	1,153,997	818,491	217,177	1,832,497	89,266	72,176
1843. . . .	16	1,120,000	1,287,369	223,439	1,863,290	74,990	86,591
1844. . . .	17	1,137,500	1,743,807	289,079	2,225,245	92,562	154,471
1845. . .	17	1,138,360	1,400,617	261,837	2,314,929	109,137	68,723
1846. . . .	17	1,161,080	1,559,832	329,723	2,449,678	89,208	66,162
1847. . . .	18	1,287,412	2,353,681	394,560	2,908,567	105,684	158,791
1848. . . .	21	1,596,695	1,733,482	273,477	2,831,587	121,048	78,552
1849. . . .	24	1,826,975	2,322,962	330,195	3,613,227	120,798	151,019
1850	27	2,197,240	2,856,027	546,703	4,423,719	127,325	127,637
1851. . . .	31	2,603,112	3,377,027	627,777	5,566,193	179,050	122,003
1852. . . .	32	2,721,168	3,779,131	872,420	5,660,724	176,379	163,685
1853. . .	33	2,914,040	4,764,439	734,216	6,840,932	188,173	185,999
1854. . . .	40	3,275,656	3,986,709	745,170	6,572,951	196,680	125,902
1855. . . .	42	3,603,460	3,704,341	801,039	6,710,928	201,548	51,556
1856	41	3,856,916	3,970,720	797,535	7,302,951	208,858	43,146
1857. . . .	41	4,028,740	4,275,517	746,557	7,905,711	188,588	122,923
1858. . . .	41	4,082,416	3,024,111	615,874	6,392,992	178,556	41,780
1859. . . .	46	4,029,240	3,882,983	787,834	6,946,523	198,409	69,495
1860. . . .	44	3,872,642	3,784,673	814,623	6,748,500	185,670	58,558
1861. . . .	40	3,916,000	2,522,687	715,207	6,013,730	173,332	.....
1862. . . .	40	3,911,000	5,621,851	925,627	7,124,697	199,313	.....
1863. . . .	40	3,916,000	5,723,596	.....	9,084,674	159,218	*405,233

*Including United States Treasury notes.

total debts could not exceed their deposits and three times their capital. And inasmuch as their debts, exclusive of deposits, consisted mainly of their circulation, this amounted to a limitation of their circulation to three times their capital. In case of excess of indebtedness, the directors under whose administration it occurred were made liable in their private capacities. As an additional security to the public, each of the directors was required to give bonds, usually for the sum of \$8,000, to the State Treasurer, conditioned upon the faithful discharge of the duties of his office.

In 1831 an act was passed modeled closely upon the "Safety-Fund Act" of New York. Its leading object was to create a fund out of which the creditors of any bank that should become insolvent might be paid. For this purpose each bank thereafter chartered was required to pay into the State Treasury the sum of $4\frac{1}{2}$ per cent. upon the amount of its capital stock, in six annual installments. In case the fund was reduced by the failure of any banks it was to be made up by assessments by the State Treasurer upon the several banks, not exceeding three-fourths of one per cent. in one year. The fund, until used for the purposes designated, was to remain the property of the respective banks contributing, and the balance of the income from its investment, after deducting the expenses of Bank Commissioners, for whose appointment provision was made, was to be paid to such banks, annually; and on the expiration of the charter of any bank its contribution to the fund, if not required to indemnify the creditors of any other bank which had become insolvent, was to be returned by the Treasurer.

This act also provided that no bank should go into operation until at least one-half the capital was paid in. In other particulars the banks were to be governed by their charters, which were renewed under the Act of 1831 without important modification. In place of the annual tax of six per cent. upon dividends, which the State had previously imposed, a tax of ten per cent. on profit was substituted.

In 1842 the General Assembly passed an additional act relating to banks, the important part of which was a provision that banks thereafter chartered might be relieved from the contribution to the Safety Fund if the directors should execute satisfactory bonds conditioned that they should "at all times pay and redeem according to law all bills issued by such bank, and should pay and refund all deposits made in such bank when such payments were demanded." This act also required not only that one-half of the capital should be paid before the bank went into operation, but that the other half should be paid in within two years. Loans to directors, stockholders and single individuals were also more strictly limited than theretofore.

Another part of the act provided for a fixed tax of one per cent. per annum upon capital in lieu of the tax of 10 per cent. on profits, but remitted this tax to such banks as should "keep a sufficient deposit of funds in the city of Boston, and should at that city uniformly cause its bills to be redeemed at par." This seems to have been the first official recognition and encouragement of the so-called "Suffolk redemption system" by the State. The extension of the advantages of this exemption from tax to the other banks, provided they should give bonds, together with the natural advantages accruing from the system itself, eventually brought them all into the redemption system, though as late as 1848 three of them still refused to maintain the required deposit at Boston. By 1850, however, all were in line.

In 1839 the Essex Bank was placed in the hands of receivers. This bank, incorporated in 1832 under the safety-fund system, with a nominal capital of \$40,000 had had called in but \$25,000 of it. The bank had made large loans to persons outside of the State, and at the time of its failure a large part of this was uncollectable. Its statement showed a circulation of \$66,262, and deposits \$3,798, to meet which there were bills discounted aggregating \$98,537; yet the Bank Commissioner reports that, from what he can learn from the receiver, he must conclude that the effects in his hands, and all the safety fund then paid in, and that the banks then chartered would be required to pay in, would be insufficient to redeem the bills of the bank.

The report of the committee of the General Assembly on the Essex Bank, October 24, 1842, contains the following:

"Your committee further report that, in their opinion, the Legislature, in granting the charters of the several safety-fund banks, and by the several laws they have enacted in relation to them, have endeavored to protect the rights of all persons who may have any concern with or interest in them. Under these laws a bank fund has accumulated to a large amount, which the law has intended for the payment or redemption of the bills of any safety-fund bank which may become insolvent through misfortune and without the fault of its officers. It has also made ample provision for the protection of the billholders against the frauds of such officers, by requiring large bonds for the faithful discharge of their official duties to be lodged with the Treasurer of the State; and when the insolvency has been occasioned by the fraudulent conduct or neglect of such officers, adequate remedy may be obtained by the billholders by a prosecution of such officers in the manner prescribed by law.

The billholders being the persons *immediately* injured by the failure of the bank to redeem its bills, and the inability so to do being produced by the fraudulent acts of its officers, no doubt can exist but that suits upon their bonds can be resorted to by the billholders for their indemnification.

In all cases where officers have performed their duties faithfully, and have been guilty of no breach of the conditions of their bonds, then no source can remain from which remuneration can be obtained by the billholder but the bank fund.

And as it was manifestly the intention of the Legislature that the interest of all persons concerned shall be equally guarded and protected, we think that this construction of the law would evidently effect that object; but if billholders are permitted to resort to the bank fund for the redemption of the bills of insolvent banks, without regard to the manner in which that insolvency was produced,

it is manifest that no person would seek redress by a suit on the bonds while a single dollar of the bank fund shall remain in the treasury.

Your committee are clearly of the opinion that the billholders of insolvent safety-fund banks made so by the misconduct of their officers should never be permitted to have indemnity from the bank fund while they may obtain redress by a suit on the bonds of the officers. To permit such billholders to resort to the bank fund for redress would be the height of injustice; it would be taking the money of those banks which have honestly and judiciously conducted their business to pay the damages occasioned by the fraud of others at the same time depriving the State of the use and income of the bank fund, and destroying the security of the billholders, while those who have been guilty of the most barefaced frauds would go unpunished. In short, it would be punishing the innocent and rewarding the guilty."

The amount of the Bank Fund in 1850 was \$40,216.

One result of the attention directed to the disproportion between the amount of bills issued and the capital paid in was an act in 1840 limiting the circulation to twice the capital, instead of three times its amount as before.

CURRENT R DEMPTION.

EARLY METHODS.

The most interesting feature about the banking experience in New England was the system of bank-note redemption which was there developed—a system which not only had a vast influence in consolidating all the New England banks, without regard to the individual States by which they were chartered, into one single banking system, with its centre at Boston, but contributed more than almost any other agency to the remarkable success of its currency in the essential matters of safety, convertibility and elasticity.

"The business man of to-day," says Mr. D. R. Whitney, in his admirable history of the Suffolk Bank, "knows little by experience of the inconvenience and loss suffered by the merchant of sixty years ago arising from the currency in which debts were then paid. * * * The merchant of 1818, receiving payment in bank-notes, assorted them into two parcels, current and uncurrent. In the first he placed the notes issued by the solvent banks of his own city, in the other the bills of all other banks. Upon these latter there was a discount, varying in amount according to the location and the credit of the bank issuing them. How great the discount was he could learn only by consulting the "Bank Note Reporter," or by inquiring at the nearest exchange office; and he could avail himself of them only by selling them to a dealer in uncurrent money. He could neither deposit them nor use them in payment of his notes at a bank. The discount on them varied from one per cent. upward, according to the distance the bills had to be sent for redemption and the financial standing of the bank by which they were issued. Many banks were established in remote places mainly for the purpose of making a profit on circulation. The more distant they were from the business centres the more expensive it was to send their bills home for redemption, and the more difficult it was for the general public to know their true financial condition."

Even earlier than the period of which mention is here made the condition was less settled, but no more satisfactory. For a few years, while the only notes in circulation were those payable in Boston, they were preferred to specie both in town and country; but as soon as notes issued by banks some distance removed came into circulation, the question arose whether or not they should be received by the Boston banks at par. The practice was fluctuating, sometimes at par and sometimes at a small discount. The country banks, sustained by public opinion, protested against those of Boston sending home their bills for redemption; and finally in 1796, the Boston banks gave up receiving them altogether.* The result was that the bills of the country banks filled almost exclusively the channels of circulation, even in Boston, and thus was a double currency introduced—"foreign" or "current" money, and "Boston" money. At this time, of course, means of communication were slow and inadequate; and the rapid spread of banking in 1803 and 1804 had resulted in the incorporation of what at that time must have seemed a multitude of banks, of the condition of which little could be ascertained. In 1804 an institution was established called the "Boston Exchange Office," the object of which seems to have been to extend and equalize the circulation of foreign bank notes, in which currency it received deposits, collected notes and made discounts.† This seems to have been the first attempt at anything beyond

* In this connection, it may be noted that the early records of Connecticut show that the Union Bank of New London, the second bank in the State, began a practice of sending specie to Boston to redeem their bills in the hands of one of the banks there. That this was quite exceptional, however, is evident from the fact that in April, 1796, a letter was received from an officer of the Union Bank in Boston in which he said that the banks of that city had experienced so much inconvenience from the increase of foreign bills that they had agreed not to receive the bills of any bank out of Boston, and that they regretted extremely being obliged to apply the rule to the case of the Union Bank of New London, for if the other banks had been as attentive to the redeeming of their bills as that bank no such regulation would have been necessary. A correspondence ensued which resulted in the appointment of this officer of the Union Bank in Boston as the agent for the redemption of the notes of the bank at Boston, he being furnished with funds in advance for that purpose. No evidence is at hand that any other bank made similar provision for their bills.

† "The said corporation shall have liberty to establish and keep in Boston a fund of \$150,000 in current bank bills of this Commonwealth and a further sum in specie of \$50,000. * * * The

individual action in dealing with the problem. The experience, however, was not satisfactory and the bills of the banks more readily accessible continued to be sent home for specie, and the discount on the rest increased to four or five per cent.

Nothing further is heard of the Boston Exchange Office, and in 1808 the merchants and dealers of the City, having found the existing condition of the currency injurious to their business interests, raised a fund for the purpose of sending home bills received in business and enforcing their redemption. This move, however, was too sudden, and the failure of several banks which had issued notes without much preparation for their redemption was the result.

The year 1813 was marked by an important movement toward reforming the condition of the bank-note currency in this regard, through the agency of the New England Bank, which commenced operations October 5 of that year. The condition of the local currency of Boston was, at this time, in the main satisfactory; but the notes of banks in New York and all the New England States—many of them of doubtful solvency—were spread broadcast over the country and found ready acceptance even at Boston, where they almost monopolized the field. Scarcely a dollar of Boston paper could be seen. The reason was not far to seek. The notes of foreign banks—so long as they were known to be solvent—passed readily from hand to hand in ordinary business transactions, but at the banks they were not accepted. Persons having payments to make at the bank therefore found it advisable to lay aside any notes of Boston banks which might come into their hands, as such notes and specie were the only forms of currency accepted at par by the banks, while foreign notes, which were readily accepted in business, were paid out again and thus kept in circulation. The ordinary method of procedure when the holder of any of these foreign bills wished either to make a payment at a bank or to procure specie was, instead of sending them to the issuing banks for redemption in specie, to exchange them at a discount with some one in Boston who would give him Boston money.

This discount in 1813 was much greater than the actual expense and losses incurred would justify, and to its reduction the New England Bank set itself. It immediately gave notice that it would charge those who wished to avail themselves of such an arrangement only the actual cost of sending foreign money home to the issuing bank and obtaining specie for it. The result was that the rates of discount, both on bills of Massachusetts banks out of Boston and on those of reasonably sound banks in other States, were very materially lessened.

This, however, subjected foreign banks to the necessity of being prepared for more prompt and certain redemption than they had been obliged to make preparation for, and some of them opposed it vigorously.*

THE SUFFOLK BANK SYSTEM.

The system inaugurated by the New England Bank did not do away with the discount in Boston upon foreign notes. It merely brought it down to more nearly the actual cost; and instead of four per cent. or five per cent., the usual rate in the years 1814–18 was about one per cent. for notes of Massachusetts banks, and somewhat more for those of other States.

In 1818 the Suffolk Bank was incorporated and went into operation in Boston. Almost immediately the directors turned their attention to foreign exchange, and in 1819, seeing that they might add to the profits of the bank by buying country bank notes at a discount and sending them home for redemption, they determined to give special attention to that branch. The committee by which the matter had been considered had reported—

“That it is expedient to receive at the Suffolk Bank the several kinds of foreign money that are now received at the New England Bank, and at the same rates. That if any bank will deposit with the Suffolk Bank \$5,000 as a permanent deposit, with such further sums as shall be sufficient from time to time to redeem its bills taken by this bank, such bank shall have the privilege of receiving its own bills at the same discount at which they are purchased.” They further recommended “that the banks located in Providence and Newport,” and twenty-three other banks then keeping an account with the Suffolk, “shall have the privilege of receiving such of their bills

said corporation shall neither directly nor indirectly run upon, or make a demand for specie on any of the incorporated banks of this Commonwealth, or which may hereafter be incorporated, which may cause distress; nor knowingly furnish any person or persons with bills for that purpose; and in order that an impartial currency may be given to the bills of this Commonwealth, said bills shall at all times be paid out promiscuously, as they are received; and the said corporation is hereby restricted from asking or receiving a premium for exchanging the bills of any one bank aforesaid, for those of any other of this Commonwealth, or for specie, or to purchase the bills of any bank of this Commonwealth at a discount, during its continuance.”—Act of June 23, 1804.

This institution was subject to some of the restrictions of the banks of the State, and might discount to the amount of one-third the specie and bills on deposit; but could issue no notes of its own.

* In 1814 three wagon loads of specie being transported from New York to Boston by the New England Bank were seized at Chester by the Collector of New York on the pretext that it was the intention of the New England Bank to send the money to Canada; the real reason for the seizure was obviously enough the hostility of the New York banks to the redemption programme of the New England. The restoration of the specie was secured through a petition of the Massachusetts Legislature to the President.

as may be received by the Suffolk Bank at the same discount as taken, without the permanent deposit of \$5,000, provided said banks will make *all* their deposits at the Suffolk Bank, and at all times have money sufficient to redeem the bills taken." Also, "That should any bank refuse to make the deposit required, the bills of such bank shall be sent home for payment at such times and in such manner as the directors may hereafter order and direct." The president was also authorized to compound with any bank not to purchase its bills.

The result of the hearty action of the Suffolk Bank, in accordance with this report of its committee, was a lively competition with the New England Bank, which soon brought the rate of discount on Massachusetts bills down to one-half of one per cent., or even less. But even this, though so much less than in earlier years, still operated as a premium to keep the bills of the country banks in circulation, in preference to funds which could be used at par in payments of the Boston banks.

A committee of the directors of the Suffolk Bank, April 10, 1824, laying before the other banks of Boston their plans for checking the enormous issues of the country banks, especially those of Maine, called attention to the fact that the 11 banks of Boston possessed a capital of \$11,150,000 out of a total for all New England of less than \$20,000,000; yet that the country banks furnished \$7,500,000 of the circulating medium, while the banks of the city, with a capital more than equal to all the rest, kept in what might be fairly termed permanent circulation only \$300,000. They stated that in less than three months the Suffolk Bank had received nearly \$1,000,000 in country paper, the greater part of which had been sent home for collection or redeemed by agents in Boston. As the benefits proposed—an increased circulation and discounts—would be common to all the banks of the city, this committee proposed a co-operation of all the city banks in measures by which, if vigorously pursued, the banks might obtain a circulation of \$3,000,000 and a proportionate increase in their deposits.

The result was an agreement between the Suffolk and six other Boston banks under which a fund of \$300,000 was furnished in the notes of the several banks in the following proportions: State Bank, \$50,000; Massachusetts Bank, \$50,000; Union Bank, \$40,000; Manufacturers and Mechanics' Bank, \$40,000; Columbian Bank, \$30,000; Eagle Bank, \$30,000; Suffolk Bank, \$60,000.

These bills were placed in the hands of the Suffolk Bank, which was to pay them out in equal proportions in purchase of country bank notes. To carry out the scheme it was agreed that the Suffolk Bank should receive from the other associated banks all their foreign money at the same or less rate of discount than the New England Bank, or other banks in Boston, received it, and should send it home for redemption, unless the issuing banks should make satisfactory provision for its redemption in Boston. May 24, 1824, the Suffolk Bank began business under this agreement which might be terminated by either party on 30 days' notice.

The animosity previously shown by the country banks against the Suffolk Bank while acting independently was redoubled as they began to appreciate the curtailment of their circulation that would result, and felt the necessity of keeping larger specie reserves. The association was termed the "Holy Alliance" and the Suffolk Bank derided as the "Six-Tailed Bashaw."

After a year's experience with the arrangement outlined, the Suffolk Bank agreed to receive from the associated banks *at par*, instead of at the minimum discount current, all the country money they might receive from their depositors, and immediately place it to the credit of the depositing bank.

The general arrangement made between the Suffolk Bank and the New England banks which opened an account with it, for the redemption of their bills, was as follows: Each bank placed with the Suffolk a permanent deposit of \$2,000 and upwards, free of interest, the amount depending upon the capital and business of the bank. In consideration of this deposit the Suffolk Bank redeemed all the bills of that bank which might come to it from any source, charging the redeemed bills to the issuing bank once a week, or whenever they amounted to a certain fixed sum; *provided*, the bank kept a sufficient amount of funds to its credit, independent of the permanent deposit, to redeem all of its bills which might come into the possession of the Suffolk Bank; the latter bank charging it interest whenever the amount redeemed should exceed the funds to its credit; and if at any time the excess should be greater than the permanent deposit, the Suffolk Bank reserved the right of sending home the bills for specie redemption. In payment the Suffolk Bank received from any of the New England banks which kept an account with it the bills of any New England bank in good standing, at par, placing them to the credit of the bank sending them on the day following their receipt.

"The effect of the measure, partially adopted by a few banks, was such that the circulation of 16 banks in Massachusetts, in six months' time, decreased \$382,371; one of them from \$213,566 to \$117,143, an enormous amount still for one bank, located in a small town. In Maine the decrease was \$336,819 in six months; while in the same time the circulation of the Boston banks increased \$283,497."*

* Report of Committee on Banks, Rhode Island, 1826.

This increase of the circulation of the Boston banks (which were, of course, the institutions with largest capitals) coupled with the decrease in the circulation of the smaller banks of the State, favorably broadened and strengthened the general basis of the circulation. The amount of notes outstanding issued by the Boston banks was in 1826 about twice as large as four years previous, while those of the distant banks had decreased nearly 25 per cent.

When any bank refused to join in the "Suffolk System," the Suffolk Bank simply *presented its notes for payment* at its counter. Now, as those notes were issued on the express condition that they should be redeemed on presentation, this proceeding on the part of the Suffolk Bank, however disagreeable to its debtors, can hardly be called unjust or oppressive. It had, moreover, the desired effect of convincing the greater part of the country banks that it was far easier and cheaper to collect and pay their debts in Boston, than to continue under the manifold evils of the old system, aggravated by the improved condition of their neighbors; for, as every part of New England has pecuniary transactions with Boston, all the bank notes which were redeemed at Boston were naturally at par in every part of New England.*

Although the hostility to the Suffolk Bank somewhat abated, as the system became more widely extended, and more and more country banks opened an account with it, still many of the weak ones always felt that it was arbitrary and oppressive.†

From the following letter, written in 1832 by the cashier of the Suffolk Bank to the Bank of Rutland, Vt., something of an idea may be obtained of the feeling then prevailing, and of the actual position of the Suffolk Bank with regard to the New England Banks. It also clearly states one of the principal reasons for requiring them to keep a permanent deposit. He writes:

"We have never required you to redeem your bills at this bank instead of your own; nor have we ever demanded of you 'an exorbitant price for counting your bills.' They will be received and counted at this bank whether you have a permanent deposit with us or not. We ask of you a permanent deposit as a consideration of receiving from you bills of all the other banks in the New England States in exchange for your own at par; some of which are converted into specie by us at a discount of one and a half per cent. In addition, we take the whole risk of those bills after they have been placed in our hands. * * * If you still think the price we ask for transacting your business is exorbitant, and should prefer paying your bills at your own counter, we have no objections to sending them there; but we hope you will not expect us to take the bills of all the other banks in the New England States in payment for them at par. We have no intimation from other sources of a growing disaffection among the country banks; and if we had, we should not feel ourselves obliged to transact their business without a reasonable compensation. On the contrary, gentlemen who were very much opposed to the system we have pursued, at its commencement, now express approbation of it, and their willingness to contribute to its support rather than that it should be abandoned."

Occasionally, however, a bank would cut loose from the arrangement, in the hopes of getting up an increased circulation. Finding, however, that their circulation was then limited to their immediate vicinity, they were usually glad to return to the usual arrangement.

The banks of Maine, especially, for many years bitterly opposed the system, and there was never a time when there was not some opposition from one or more of the Maine banks—sometimes with the full approval of the State officials, as is evident from the following:

"The two banks at Bangor deserve particular commendation. These banks formerly complied with the requisition of the Suffolk Bank, for the privilege of redeeming their bills in Boston with current money; but that bank having, as the directors say, violated that arrangement between them, they withdrew their deposits and have for several months redeemed their bills with specie only, and at their own counters.

"They have, as will be seen by the abstract, a liberal supply of specie in proportion to their bills in circulation, and are entitled to the unlimited confidence of the community. The Boston alliance, as was to be expected, have constantly sent home their bills for specie, but all calls have thus far, and will, we doubt not, continue to be promptly met. Former attempts to resist this alliance, formed for the purpose of controlling the pecuniary resources of New England, have proved unsuccessful; nor is it probable that two or three banks can now contend against it with any prospect of success. Whether the present system of paying tribute to Boston is susceptible of improvement, or how far it is consistent with the interest and honor of the State, or whether the evils which result from its operation are of sufficient importance to call for legislative action, are questions which we shall not undertake to decide."—*Report of Maine Bank Commissioners*, 1837.

That these sentiments were not long regarded as expressive of the true situation is evidenced by the following quotations from subsequent reports:

"Our banks have accomplished their great object, of furnishing a sound currency—sound, equal and uniform, in consequence of its redemption at par in the great central market of the country. The

*J. S. Roper in "Hunt's Magazine," vol. 24, p. 707.

†One of the most strenuous opponents of the Suffolk Bank system was the Veazie Bank of Bangor. Through its instrumentality a law was passed in Maine, giving the banks of that State a certain delay, after demand at their counters, in which to redeem their bills in specie. The Veazie Bank availed itself of the time allowed, which it used to the annoyance of the Suffolk Bank. Having received in the regular course of its business a quantity of Veazie Bank notes, the Suffolk Bank would send a messenger to Bangor and demand specie for the same. The bank would acknowledge the demand and claim the lawful delay. In the meantime, it would collect Boston funds and send them to a well-known Boston broker, who, himself no friend of the Suffolk Bank, would take great pleasure in exchanging them in one way or another for checks on that bank. He would then present himself at the bank, demand specie for his checks, and with the coin thus obtained pay it for the bills for which it had demanded specie some days before; in short, not only requiring the Suffolk Bank to hold the bills of the Veazie Bank for a certain specified time, but at the end of that time to furnish specie for their redemption.—D. R. WHITNEY, *The Suffolk Bank*.

bills furnish a most convenient instrument for exchanging the various commodities of commerce and agriculture, and go into wide circulation. * * * The system is admirable, and is, perhaps, without a parallel in the world ; it leaves us nothing to desire, so far as an instrument of commerce is needed within the circle of the Eastern States."—*Report of Maine Bank Commissioners, 1842, p. 11*

All the banks now in operation redeem their circulation in Boston, except three: The Calais Bank at Calais, the Mercantile Bank at Bangor, and the Westbrook Bank at Westbrook. These three banks, the public will perhaps be surprised to learn, are sound and well-managed institutions, and perform all their legal obligations to their bill-holders. They pay their bills on presentation at their own counters, where alone, by law, they are bound to pay them. And their bills pass as cash in the immediate vicinity of the banks, although they do not even there answer all the purposes of money, as they cannot be sent abroad without loss ; and if they chance to stray beyond a small and limited circle, or if wanted for foreign purposes, embarrassment and loss to the holder is the result ; irritation and loss of confidence takes place not only in these banks, but to some extent in all.

Boston being the great business mart for New England, all money which is not current in business there cannot be said to answer all the purposes of money. * * * The suggestion is therefore made, whether, under existing circumstances, there is not a moral obligation resting upon the directors of those banks to make their bills current in Boston.

The Suffolk system, so called, has been believed by some to be tyrannical and oppressive, adopted by the strong to compel those to pay tribute whom circumstances had placed in their power. But when it is considered that this system was merely to receive the bills of the country banks as cash, and present them at their own counters for payment, and that any other arrangement than this was a mutual bargain for mutual benefit and convenience, it is difficult to perceive in what consists the wrong. And it is believed that this system, and this system alone, in times gone by, has preserved our moneyed institutions from the general wreck which has fallen upon those of some of our sister States. —*Report of Maine Bank Commissioners, Dec. 31, 1842.*

The notes of the three banks above mentioned were at this time quoted in the weekly price currents at a discount of from one to eight per cent.

Again, speaking of the Calais Bank and the Mercantile Bank, in 1848, the Commissioners said :
" Their bills will not circulate beyond a limited sphere. At fifty miles distance they cannot be used without loss, while the bills of the other banks of the State circulate, it is said, without loss to the farthest bound of the Union."

In general, it was the practice of each bank to gather together the bills of all other banks paid in over its counters and include them in its weekly remittances to the Suffolk Bank for the purpose of meeting the redemption of its own bills. In Rhode Island this practice was so far modified by the arrangement between the Merchants' Bank and the other banks of the State that each was allowed to include the notes only of banks in other towns than that in which it was located. This was far from general elsewhere, however ; and the Bank Commissioners of Maine note, in 1840, that though some banks near each other exchange bills many send those of their immediate neighbors away to the Suffolk, and in this practice the Commissioners found another objection to the "condemned system," which thus "makes banks of necessity compete to do each other injury by preventing a circulation of their respective bills."

Between the years 1831 and 1833 a great increase took place in the number of banks in New England. During this period no less than ninety new banks were chartered. By 1834 the redemption business of the Suffolk Bank had increased five-fold, from \$80,000 to \$400,000 daily. To reduce the business, it became necessary to modify somewhat the arrangement made with the Boston banks. Theretofore they had been allowed to send in *all* their foreign money at par. Now they might send in on any one day an amount equal to one-half their permanent deposit only. If they exceeded that amount they were charged one-tenth of one per cent. on the excess. They were also restricted to the foreign money received by them in their regular course of business, excluding deposits from banks and brokers. At the same time the permanent deposits of the Boston banks were reduced to \$10,000 and a year after to \$5,000.

• In Rhode Island there was early inaugurated a sub-system of redemption on practically the same basis as the central system. It is thus explained by the Committee on Banks in 1836:

"An arrangement exists between the Merchants' Bank in Providence and all but four of the banks in this State (except the Providence banks) to redeem their bills. The four banks not included in the arrangement are the Cranston, Kent, Village and Fall River Union Banks. The permanent deposits of the banks in the Merchants' Bank vary from \$1,000 to \$3,000 each. The whole amount of deposits is about \$60,000. * * * The Merchants' Bank receives at par from the banks with which it has an arrangement the bills of all other banks in New England, except of those in the same town where the bank is situated. Where the balance is against a bank upon the amount of bills collected, and the permanent deposit would be thus trenched upon, interest is charged. The interest accounts are closed and the balances carried forward once a month.

An arrangement also exists between the Merchants' Bank and the Suffolk Bank in Boston, as follows : The former receives at par from the latter all the bills of banks in this State except the four above mentioned. It remits at par bills of all the banks in the New England States except Rhode Island. The Merchants' Bank pays interest on any balance against it ; the Suffolk Bank pays none. This arrangement is the basis of that with the other banks, as before stated."

By virtue of this arrangement the Suffolk Bank was relieved from the necessity of keeping accounts and doing business with all the Rhode Island banks. Yet their redemptions were meanwhile carried on just as satisfactory through the medium of the Merchants' Bank as they could have been had each of the Rhode Island banks dealt directly with the Suffolk. When the simplification thus effected is considered, the

strange thing is not that the Rhode Island banks should have preferred to do business in this way, but that other States did not have similar sub-systems.

The suspension of specie payments in 1837 put an end to all coercive measures on the part of the Suffolk Bank, and consequently each bank was left to its own volition. Many of them continued to redeem their bills at the Suffolk as they had done in the past. The bills of these banks, according to Mr. Whitney, passed current all over the Union, and in some places even commanded a premium. Other banks withdrew their accounts and the bills of those banks had a local circulation only. At first many of the weak banks, particularly those of Maine, which had always been opposed to the Suffolk system, were inclined to break off, and even some of the stronger ones were ready to abandon the system entirely. The most of them were held together, however, and at the resumption of specie payments the Suffolk Bank was able to take its old place at the head of the redemption system.

As to the internal organization of the Suffolk Bank throughout practically the whole period of its existence as a center of redemption, it may be noticed that the practice was early inaugurated, and thereafter adhered to, of paying a sufficient salary to the head of the Foreign Money department to cover all expenses connected therewith—he hiring his own clerks and assuming all loss by counterfeits and uncurrent or mutilated bills. The salary was from time to time increased as the business grew, until from \$4,250 in 1826 it had risen to \$8,500 in 1837; \$10,800 in 1846; \$20,000 in 1849; \$24,000 in 1853; \$30,000 in 1854; and \$40,000 in 1857.

The total expenses incurred by the bank in carrying on its foreign money work for the year 1858 was \$40,000—the largest amount ever appropriated for the purpose. The redemptions during this year amounted to \$400,000,000. In other words, the business was carried on at an expense of only 10 cents per \$1,000. It is interesting to compare with this the results of our present system of redemption of National Bank notes. In the fiscal year 1894, the total amount of such notes passing through the redemption agency in the Treasury Department at Washington was \$101,767,455, of which \$50,944,080 were soiled and mutilated notes returned for destruction and re-issue, \$10,929,535 more were in final redemption of notes of banks no longer issuing circulation, and only \$39,893,840 normal current redemption. This redemption was carried on at a cost of \$107,445—or \$1.06 per \$1,000.

When it is remembered that it is only through constant working of an effective system of redemption that elasticity can be secured and every tendency to expansion in excess of the demands of commerce promptly checked, the importance of this showing can not be too strongly emphasized. In New England at this time the circulation of the banks for which redemption was carried on was less than \$40,000,000. The whole circulation was, therefore, on an average, redeemed ten times over during the year.* At the present time an amount equal to the entire circulation of the National banks does not pass through the redemption agency in less than two years, even at the rate of last year's redemptions, which were far larger in proportion to the circulation of the banks than at any other time for the past fifteen years.

The following table shows the amount of notes of New England banks annually redeemed through the Suffolk Bank :

DATE.	REDEMPTION.	DATE.	REDEMPTION.	DATE.	REDEMPTION.
1834.....	\$76,248,000	1842.....	\$105,000,000	1851.....	\$243,000,000
1835.....	95,543,000	1844.....	126,000,000	1852.....	245,000,000
1836.....	126,691,000	1845.....	137,000,000	1853.....	288,000,000
1837.....	105,457,000	1846.....	141,000,000	1854.....	231,000,000
1838.....	76,634,000	1847.....	165,000,000	1855.....	341,000,000
1839.....	107,201,0 0	1848.....	178,000,000	1856.....	307,000,000
1840.....	94,214,000	1849.....	199,000,000	1857.....	576,000,000
1841.....	109,088,000	1850.....	220,000,000	1858.....	400,000,000

THE BANK OF MUTUAL REDEMPTION.

The opposition to the Suffolk Bank, which had existed from the very inception of the system, had in late years been diverted, by its acknowledged success as a regulator of New England Currency, from the *system* to the *Suffolk Bank*, this largely because of the handsome profits which its business permitted it to divide. Indeed,

* On this point, a committee appointed to examine the banks of Connecticut in 1837 reported that they "have taken pains to inquire at each bank the average period of the circulation of their bills, and find, that so rapidly do their bills circulate and return for redemption, that for the six months prior to the 1st of April last about two-thirds of the bills of the Connecticut banks in circulation were redeemed once in thirty days and the other third within about forty-five days from the time they were issued."

So, too, in 1841, the Bank Commissioners of Maine stated that the average circulation of the Central Bank of that State for the preceding six months had been \$48,000, and the average monthly redemption of its notes in Boston during the same period \$38,000.

the President of the Bank of Mutual Redemption stated in 1862 that ever since 1828, when the Lowell Bank, with which he was then connected, was required to place one-tenth of its capital in the Suffolk Bank, he had advocated the establishment of a bank in Boston, to be owned by the New England banks, and to look out for and protect their interests there.

The Boston banks and the larger proportion of the country banks were, however, so well satisfied with the system as carried on by the Suffolk Bank that it was not till 1855 that sufficient co-operation was assured to permit success with an independent undertaking. In that year the Bank of Mutual Redemption, at Boston, was established with the express object of redeeming the bills of New England banks—the stockholders' by-laws reciting that, "as the bank is always to do the business of redeeming the notes, the currency of the New England banks at par, when redeemed at all, everything else in the management of the bank shall be made subsidiary and subservient to the proper discharge of the duty, with a discreet and conservative care for the common good."

Its stock, of which \$500,000 was subscribed and paid in, was held only by the New England banks, no one of which would hold stock in excess of five per cent. of its capital or above \$20,000. The Directors were all required to be stockholders in some one of the subscribing banks and inhabitants of the New England States and three-fourths of them inhabitants of Massachusetts. Except as otherwise provided the bank was subject to the provisions of the banking laws of the State. The more important of its special provisions were that no notes of less denominations than \$5 were to be issued; nor should the aggregate circulation exceed one-half the capital stock; or, for more than three consecutive days, three times the specie held; the bank was forbidden to receive the bills of any bank at a discount; and a reserve of ten per cent. of the capital must be maintained.

The bank went into operation in 1858, at the opening of which year 135 New England banks were interested as stockholders, and 35 kept a permanent deposit with it, aggregating \$143,000. Upon its application to enter the Clearing House much of the existing strife was manifested.

The bank, however, was finally admitted to the Clearing House; and as soon as it was fairly organized the country banks which were interested in it withdrew their deposits from the Suffolk and transferred them to the Bank of Mutual Redemption. For some little time some friction existed between the two redemption agencies. At first some of the country banks complained that the Suffolk refused to present their bills for redemption at the Bank of Mutual Redemption, designated for that purpose by them, and even refused to accept specie at its own counter, but held them until a large amount had accumulated, and then sent them home for specie. The public mind was somewhat disturbed lest this antagonism should endanger the system. "There is no difference of opinion," said the Bank Commissioners of Massachusetts in 1858, "among the officers of the banks of this State or among practical business men that the *system* should be maintained in its integrity, whatever agent or agents in Boston may be employed for doing the business. The redemption of their bills in Boston, by all New England banks, has become indispensable in securing an extensive par circulation for their currency, and in facilitating the transaction of business."

The immediate cause of the complaints above alluded to was amicably adjusted for a time—the Suffolk Bank agreeing to receive from the Bank of Mutual Redemption the notes of banks which still kept their accounts with it, and sending to it the notes of banks which had transferred their accounts to the latter institution. But on November 1, 1858, the Suffolk Bank gave up its agency in the system and disclaimed all further responsibility, assigning as reasons:

1. Because its main feature, the right to send home bills for specie, cannot be given up without destroying its efficacy;
2. Because their exercise of this right is effectually made use of by those banks hostile to the Suffolk to place it in a false attitude toward the public; and
3. Because, under the existing circumstances, the bank does not wish to stand in the way of a trial of the attempted experiment of a foreign money system to be conducted on less stringent principles.

The Suffolk, however, while thus discontinuing the regular business of counting and assorting country money, announced its willingness to receive such money at a discount of 25 cents per \$1,000, and several of the Boston banks made such an arrangement with it. It also continued to receive from such of its country correspondents as kept a satisfactory account with it such country money as they might have occasion to remit. So that during the ensuing years the business was shared by the two banks; but in other respects the system was not materially different from the "Suffolk System," as previously carried on.

Upon the suspension of specie payments, in December, 1861, the system was, of course, greatly deranged, and in fact practically broken down: For its main basis had been the right to demand specie in redemption whenever a bank refused to fulfill the requirements as to its redemption in Boston; and when this right had to be given up

the foundation of the system was shattered.* The effect was immediately seen in the working of the system. The bank Commissioners of Maine, in December, 1862, called attention to the fact that though circulation had been increasing (in many cases nearly doubling) during the first year of suspension, then closing, the redemptions in Boston had fallen off. The explanation which they offered was that in the then unsettled state of public affairs the people had more confidence in the bills of the local banks than in any other paper currency.

In conclusion, the following quotations are given as showing the general approbation of the system among those familiar with its workings, who were in the best positions to judge of its merits:

"The Suffolk System (if we may so call that system which has obtained throughout New England) the distinctive characteristic of which was a central point of redemption, has given to New England as sound a currency as was to be found in any part of our country. Bank failures at the north have been rare, and the losses to stockholders or billholders, when compared with the amount of capital invested have been very trifling. It is by no means wonderful that a system which has stood the test of time, and struck its roots so deep as to have become incorporated with and formed a part of our banking system, should be abandoned with hesitation for one which is *new* and untried."—*Bank Commissioners of Maine*, 1865.

No matter how ably a bank may be managed, nor how much wealth its directors and stockholders may hold—if it places its circulation in a different position from that of neighboring and kindred institutions, it fails, in some measure, of meeting the wants of trade. * * * Such an arrangement injuriously affects other banks in the vicinity. The money not being current at Boston, or at par in New York, it is not remitted to either place, but the holders exchange it for such as will be received there without loss; thus forcing out the natural circulation of its neighbors and giving cause for complaint." There were at this time in Maine only two banks in good credit which did not redeem their bills in Boston. Beyond their immediate vicinity, the bills "are current only at a discount. Of course they *are* not and *cannot* be used as remittances to Boston without loss. There is no reasonable doubt that these banks would do a good business if they should redeem as the other banks do, and then the whole circulation of our banks would be at par over a great extent of territory, and the petty vexations of uncurrent bills with three or four per cent. for exchange would cease."—*Bank Commissioners of Maine*, 1854.

STATUS WHEN SUPERSEDED BY THE NATIONAL BANK SYSTEM.

When the National Banking System appeared upon the scene it found the channels of circulation in New England filled by a State bank currency of well-recognized soundness.

In general, it was a currency based upon the "banking principle." It was issued against general assets—not against the deposit of bonds. It was secured, in addition, in most of the States by the further liability of officers and stockholders, or by a first lien upon all the assets of the bank, or both. It was limited—rather loosely, we would now say—to one hundred and twenty-five or one hundred per cent. of the capital. But though issued under the legislation of six different States, it was in reality a single currency system—made so through the agency of a commercial enterprise, established and carried on without the aid of law. The bills of banks in any one part of New England passed at par in every other part; and for years the notes of New England banks had been enjoying an extended circulation in the West, where its reputation found for it ready acceptance. At home, too, its valuable points were appreciated, and its forced transference to the national system a matter of regret.

The history of New England Bank Currency, thus closed, is significant for two developments which characterize it:

First, the steady growth, under the teachings of experience, of the system as to the issue and regulation of bank currency, which has since then become generally approved among the English-speaking peoples of the New World. In one direction after another special opportunities for fraud or exploitation of a confiding public by rash banking developed their legitimate disasters and prompted the invention of remedies "to fit the crime." Conditions were so nearly alike throughout the New England States that each was prompt to suffer from any financial disease affecting any other, and equally prompt to adopt, with such improvements as its own enterprise might suggest, the remedies which had been found effectual elsewhere. As a result, the complete system, at the time of its practical suppression by the National Bank Act, was utilizing nearly every expedient to secure safe and conservative banking that were then or have since been incorporated in our own National Banking system, or in that of Canada—the two great plans which have since been matured.

* "The bills of our banks are redeemed in Boston, the same as in past years, but the weekly redemptions have been less—the cashiers could not judge of the amount redeemed by the amount paid out in any given week.

Before the suspension of specie payments many of the banks were obliged to keep up a system of exchanges to be able to meet their weekly redemptions in Boston, but we are informed by the cashiers that such is not now the case—notwithstanding the large circulation of all the banks, many cashiers in the State pay out more foreign money over their own counters than of their own bills. When bank notes were redeemable in specie and the redemptions large in Boston, each bank made an effort to keep up its own circulation and drive home that of its neighbors. But since specie payments were suspended no motive for sending them home exists, and if a bank is in good credit their bills are held in the pockets of the people as being as valuable as anything else to lay by."—*Rept. Bank Commissioners*, New Hampshire, 1864.

A second feature was the development of redemption facilities and methods. Starting with absolute chaos, assisted by no law, progressing tentatively as each necessity prompted the invention of new means to meet it, the result was a carefully buttressed and easily working system, under which, to an extent never approached in its efficiency by any plan elsewhere created by law, the bank-note currency of New England was made elastic, safe and ideally convenient and inexpensive in use.

For a full generation before the war, the amount of ultimate loss to note-holders was too small to be reckoned as an appreciable percentage on the amount of currency outstanding; while the delays and minor inconvenience in the prompt cashing of the bills of broken banks were the result rather of the imperfect communication and exchange facilities of those days than of material defects in the banking system itself. Indeed, so satisfactory had been the workings of what is known as the "Suffolk Bank Redemption Plan"—the work of the Bank of Mutual Redemption being upon practically the same basis—that the need even of the most modest guarantee fund for instant redemption of broken bank bills was not felt until after the panic of 1857; and even then the total loss was petty when compared with the total circulation, and such as the most moderate plan of subsidiary guarantee would have forever obviated.

In conclusion, the following quotation from a Massachusetts report of 1865 may be permissible, voicing, as it does, sentiments then common to all New England:

"The State parts with these objects of her care and solicitude with many regrets, but with a just pride in their career inspired by the belief that their capital has been highly instrumental in promoting the prosperity of the State, and that they have furnished as good a paper currency, based on individual credit, as any part of the country has ever enjoyed."

THE TWO YARD STICKS.



ARTFUL DODGER "COIN"—You see, sir, you use the yard-stick of 36 in. to buy with and the yard-stick of 18 in. to sell with. Now the advantage of this double standard—

LABOR—You young rascal, come down from there. I am one who buys from this merchant?

HONEST MERCHANT—My business is built up on my reputation for honest dealings, and I shall use the same measure both for buying and selling. One standard and honest measure.

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Each number contains a **special discussion** of some Sound Currency question.

In his report for 1862, the N. Y. Superintendent of Banking, after referring to the recommendations of Secretary Chase, says: "The Secretary adds: 'the recent experience of several States in the valley of the Mississippi painfully illustrates the justice of these observations, and enforces by the most cogent practical arguments the duty of protecting commerce and industry against the recurrence of such disorders.' How- ever truthful these remarks may be in regard to the institutions and currency of some portions of the country, they certainly do not apply to New York, and furnish no basis for interference with her institutions."—H. H. VAN DYCK, N. Y. Bank Supt., in Report for 1862.

"What I have stated in regard to the value of the local bank currency is well known to the country. Why, sir, I read to the Senate the day before yesterday the price at which this money was selling in the city of New York, and it was 2½ per cent. premium as quoted; and a banker from that city told me it was three the evening of that day. It is better and will ever remain better than greenbacks in my judgment."—SENATOR LAZARUS W. POWELL, of Kentucky, February 13, 1863.

"Our State banks have sustained the Government; they have been the Barings and Rothschilds to whom we have gone for our funds to carry on this war. When Congress met in July, 1861, we found our financial affairs in the utmost embarrassment; we passed a bill authorizing a loan of \$250,000,000. Where did we get the funds? The banks of the city of New York alone placed in his (the Secretary's) hands \$105,000,000—nearly double the amount of their capital; and at this day the banks of the State of New York alone hold 150% of their capital in stocks of the United States."—SENATOR IRA HARRIS, Feb. 14, 1863.

NEW YORK BANK CURRENCY.

SAFETY FUND vs. BOND SECURITY.

L. CARROLL ROOT.

	PAGE
BANK CURRENCY IN NEW YORK PRIOR TO 1829.....	286
PREVIOUS TO THE WAR OF 1812	286
PERIOD FROM 1812 TO 1829.....	287
SAFETY FUND BANK NOTES	288
LEGISLATION	288
EXPERIENCE.....	290
DEFECTS AND REMEDIES.....	296
RESULTS	298
BOND DEPOSIT SYSTEM—"FREE BANKING".....	299
LEGISLATION	300
EXPERIENCE.....	301
DEFECTS AND REMEDIES.....	303
RESULTS	305
SAFETY FUND vs. BOND DEPOSIT SYSTEM.....	305
(a) AS TO SECURITY.....	305
(b) AS TO COST	305
(c) AS TO ELASTICITY	305
STATUS WHEN SUPPRESSED BY TEN PER CENT. TAX	306

INTRODUCTION.

The history of banking in the State of New York naturally divides itself into three chapters. The first covers the period prior to the establishment of the so-called "Safety Fund" system in 1829, the early part of which is characterized by a slow and steady growth and conservative banking; the latter part—after the war of 1812—by somewhat more reckless methods and management. The second is the history of the "Safety Fund" system, extending from 1829 to 1866; while the third includes our experience under the "Free Banking" system, from 1838 until all state bank circulation was suppressed by the federal tax of 10% against other than National Bank notes.

The first and, to some extent, the early part of the second chapters deal with periods of political interference with, and political management of, banking corporations—when banking was regarded as a proper subject for monopoly, and when the political affiliations of the incorporators of a bank were considered as important as to-day they seem trivial; though the number of charters already in force, and the variety of the political situations in which they had been granted, had early made monopoly rather a theory than a situation, and left the slight extent to which favoritism might be shown in the organization of new institutions the only remnant of what had earlier been most important political factors. The third period was characterized by its assertion of the necessity of divorcing politics from the banking business; and, as a result of that assertion, the substitution of general laws instead of special charters.

BANK CURRENCY IN NEW YORK PRIOR TO 1829.

PRIOR TO THE WAR OF 1812.

The history of banking in the State of New York practically begins with an Act passed by the Legislature in April, 1782, confirming for the State of New York the charter of the Bank of North America, granted by the Congress of the Confederate Colonies, and at the same time prohibiting the establishment of any other banking corporation within the State "during the present war with Great Britain." The Bank of North America, however, did not assume the national character that had been designed for it, and operated under a charter from the State of Pennsylvania; and, so far as concerns New York, about the only consequence of the Act of 1812 was the barrier it placed in the way of the incorporation of additional banks.

March 21, 1791, however, the Legislature incorporated the Bank of New York, which since 1784 had been doing business under articles of association drawn by Alexander Hamilton, to whose able management somewhat of the success of the institution in its early years was due. It was organized with a paid up capital of \$900,000, which was shortly afterward increased by a subscription of \$50,000 by the State. Its charter was several times extended, and it has passed through the various stages of experience which go to make up the banking history of the State of New York. In 1852, when its "Safety Fund" charter expired, it was reorganized under the free banking system, and in 1865, after further increase of capital, became a National Bank.

Following the Bank of New York came the establishment of the Bank of Albany, in 1792, and, in 1793, the Bank of Columbia at Hudson. But in New York City the Bank of New York continued until 1799 to monopolize the banking business. In that year under the leadership of Burr, the Manhattan Company obtained a perpetual charter ostensibly for the purpose of supplying the City of New York with water. The capital was \$2,000,000, one-half of which was immediately employed in banking, the authority for which was contained in a clause permitting the company, in case it was found impracticable to employ the whole of its capital in the water works, to employ the surplus in any moneyed transactions and operations not inconsistent with the laws or constitution of the State. Since 1840 the company has been purely a banking institution.

In the next ten years six additional banks were chartered. The expiration of the charter of the first Bank of the United States in 1811 acted as an incentive to the establishment of new banks, and in 1811 and 1812 no less than nine were chartered, the most important of which was the Bank of North America, whose capital—\$6,000,000—was paid in, \$5,000,000 in stock of the Bank of the United States, and \$1,000,000 in cash. By the terms of its charter, which was secured only after a most serious contest, the bank was required to pay a bonus of \$400,000 to the State, and to make large loans to the State at any time it might require. Both the requirements were remitted a few years later, however, in consideration of the reduction of its capital to \$1,000,000, and later to \$2,000,000.

The most of the charters granted during this period contained provisions authorizing the colleges of the State (Hamilton, Union and Columbia) to subscribe for portions of the stock, and in many the State itself was authorized to be a subscriber. The maximum of debts to be contracted was limited to three times the amount of the capital stock.

The following table shows the name, date of incorporation, etc., of each of the nineteen banks chartered in the period now under discussion:

	When Incorporated.	Amount of Incorporated Capital.	Safety Fund Charter.	Free Bank Charter.
Bank of New York.....	1791	\$1,000,000	1831	1853
Bank of Albany.....	1792	260,000	1829	1855
Bank of Columbia (a).....	1793	160,000	....	....
Manhattan Co.....	1799	2,000,000	....	....
Farmers' Bank (Lansingburg).....	1801	365,000	1829	1853
New York State Bank.....	1803	460,000	1829	1851
Merchants' Bank.....	1805	1,470,000	1831	1857
Mohawk Bank.....	1807	200,000	1829	1853
Bank of Hudson (b).....	1808	300,000	....	....
Mechanics' Bank.....	1810	2,000,000	1831	1855
Union Bank.....	1811	800,000	1831	1853
Mechanics and Farmers' Bank.....	1811	600,000	1829	1853
Bank of Troy.....	1811	500,000	1829	1853
Middle District Bank (a).....	1811	500,000	....	....
Bank of Newburgh.....	1811	400,000	1829	1851
Bank of Utica.....	1812	1,000,000	1829	1850
Bank of America.....	1812	6,000,000	1831	1853
N. Y. Manufacturing Co *.....	1812	700,000	1831	1854
City Bank of New York.....	1812	2,000,000	1831	1852

(a) Failed in 1829. (b) Failed in 1820. * Phoenix Bank.

Of the nineteen banks, therefore, incorporated under special charters in the twenty-two years commencing with 1791 not one had failed during the period; and when in 1865 their circulation was suppressed by the ten per cent tax fifteen of them were still enjoying a career of continuous success. Fourteen of them had thrived alike under their special charter, a safety fund charter, and the free banking system; and from these, the old state banks, was derived the early strength of the National Banking system, which so many of them promptly entered.

The circulation of each bank was unlimited and practically unguarded. The Restraining Act of 1804 prohibited banking by unincorporated companies, and declared their notes to be absolutely void.

PERIOD 1812-1829.

As noted above, the withdrawal of the capital of the Bank of the United States upon the expiration of its charter in 1811 opened a new field for banking.

In August and September, 1814, the banks throughout the country west of New England suspended specie payments, which were not resumed until early in 1817, when the action of the newly chartered second Bank of the United States led the way to a general resumption. In the interval there had been a very considerable expansion of bank issues. For example, in the country as a whole, Mr. Gallatin estimates† that within the first fifteen months after the suspension, the State bank circulation increased from \$45,500,000 to \$68,000,000. Difficult as it is to secure the statistics as to other States, there is none in regard to which there is so little basis for estimate as New York. Except as to the number of banks and amount of incorporated capital, there are almost no data obtainable as to the condition of its banks prior to 1830. Secretary Crawford, in a report to Congress in 1820, states that the circulation of the banks in New York State in 1819 amounted to \$12,500,000.

The following table gives the names, date of incorporation, capital, etc., of the twenty-four banks chartered during this period, the career of which was only less noteworthy than that of their predecessors noted above:

	Date of Incorporation.	Incorporated Capital.	Safety Fund Charter.	Free Bank Charter.
Ontario Bank.....	1813	\$500,000	1829	1856
Bank of Lansingburg.....	1813	200,000	1832	1855
Catskill Bank.....	1813	400,000	1829	1853
Bank of Orange County.....	1813	400,000	1832	1862
Bank of Niagara (c).....	1816	400,000	....	....
Jefferson County Bank.....	1816	400,000	1829	1854
Bank of Geneva.....	1817	400,000	1829	1853
Bank of Auburn.....	1817	400,000	1829	1850
Bank of Washington and Warren (d).....	1817	400,000	....	....
Bank of Plattsburg (d).....	1817	300,000	....	....
Aqueduct Association ‡ (e).....	1818	90,000	....	....
Cherry Valley Bank§.....	1818	200,000	1829	1855
Bank of Chenango.....	1818	200,000	1829	1856
Franklin Bank (f).....	1818	500,000	....	....
North River Bank.....	1821	500,000	....	1842
Tradesmen's Bank.....	1823	600,000	1831	1855
Bank of Rochester.....	1824	250,000	1839	1845
N. Y. Chemical Mfg. Co||.....	1824	500,000	....	1844
Fulton Bank.....	1824	500,000	....	1844
Long Island Bank.....	1824	300,000	1839	1845
Delaware & Hudson Canal Bank.....	1824	500,000	....	....
Commercial Bank of Albany.....	1825	300,000	....	1847
Dutchess County Bank.....	1825	150,000	1836	....
Dry Dock Company.....	1825	700,000	....	....

‡ Green County Bank. § Central Bank. || Chemical Bank. (c) Failed in 1819. (d) Failed in 1825. (e) Failed in 1827. (f) Failed in 1830.

The first bank required by its charter to pay its notes in specie was the Bank of

Niagara, at Buffalo, incorporated in 1816. All charters subsequently granted contained such a requirement.

Governor Clinton, in his message to the Legislature in 1818, called attention to the extreme looseness of the system after the close of the war, and pointed out the evils and abuses that had arisen, though suggesting no remedy.

"The Restraining Act of 1804, to which reference has been made, passed with the special object of preventing the Merchants' Bank of New York from continuing business without a legislative enactment, prohibited any person under a penalty of one thousand dollars, from subscribing to or becoming a member of any corporation for the purpose of receiving deposits or of transacting any other business which incorporated banks may or do transact by virtue of their acts of incorporation. This restraining law is said to have been passed through the aid of influential men who controlled and were interested in banking corporations then in existence. This law, as is seen, prohibited associations of persons from doing a banking business, but it did not specifically prohibit individuals or incorporated institutions from engaging in banking and issuing notes, which they did in denominations as low as six, twelve, twenty-five, fifty and seventy-five cents, as well as bills of greater value. At the close of the war of 1812 this had become an evil of great magnitude. Among those engaging in this business were the Bankers' Exchange Bank, Utica Insurance Company, Little Falls Aqueduct Association, Catskill Aqueduct Association, small notes of Benj. Rathbone, Calvin Cheeseman and a host of individuals and corporations, tavern-keepers, glass makers, merchants, turnpike companies, etc. To put a stop to this the Restraining Act of 1818 was passed, which provided that no person, association of persons, or body corporate, except such bodies corporate as were expressly authorized by law, should keep an office for the purpose of receiving deposits or discounting notes or bills, or for issuing any evidence of debt to be loaned or put in circulation as money. The law of 1804, thus amended, remained upon the statute books for thirty-two years, and, after various unsuccessful attempts, was finally repealed in 1837, one year before the passage of the Free Banking Law."*

It has been seen that the conservative banking in the period before the war of 1812 was attended by no bank failures; the looseness of the following years brought in its train the eight failures noted above.

No detailed information as to either the causes, circumstances or results of these failures is obtainable.

"SAFETY FUND" BANK NOTES.

In the years 1826, 1827 and 1828 no bank charters had been granted; while of the forty then in force, thirty would expire between 1829 and 1833. The banks were making most strenuous efforts to secure the renewal of their privileges "without conditions or restrictions, or, as the bank men expressed it, with clean charters;" but so strong an opposition had meanwhile developed that in none of the several attempts made in 1828 to extend the charters of various banks was the requisite two-thirds vote secured.

In his message to the Legislature in 1829 Governor Van Buren called attention to the opportunity for reform given by the expiration of so many charters, and briefly outlined in general terms a plan for the improvement of the banking system of the State, which he said had been presented to him by Mr. Joshua Forman, of Syracuse. This plan was more fully described by Governor Van Buren in a second communication to the Legislature, Jan. 26, 1829. In brief it contemplated a fund "to be raised from an annual payment of all the banks, according to capital, to be applied to the payment of the debts of such banks as shall fail; to go on accumulating until it shall amount to \$500,000 or \$1,000,000;" and when diminished by payments, to be brought up by further contributions. As to the origin of the idea, Mr. Forman himself says: "The propriety of making the banks liable for each other was suggested by the regulations of the Hong merchants in Canton, where a number of men, each acting separately, have, by a grant of the Government, the exclusive right of trading with foreigners, and are all made liable for the debts of each in case of failure. The case of our banks is very similar; they enjoy in common the exclusive right of making a paper currency for the people of the State, and by the same rule should in common be answerable for that paper. This abstractly just principle, which has stood the test of experience for seventy years, and under which the bond of a Hong merchant has acquired a credit over the whole world not exceeded by that of any other security, modified and adapted to the milder features of our Republican institutions, constitutes the basis of the system."

LEGISLATION.

The recommendations of Governor Van Buren were favorably received by the Legislature, and were made the basis of the Act of April 2, 1829, commonly known as the "Safety Fund" Act.†

* J. J. Knox, in *Rhodes' Journal of Banking*, April, 1892, p. 367.

† Laws of 1829, Chap. 94, "An Act to create a fund for the benefit of the creditors of certain moneyed corporations, and for other purposes."

1829.—The leading provisions of this act were that every bank thereafter established, or thereafter securing an extension of its charter, should pay to the Treasurer of the State, annually a sum equal to one-half per cent. of the capital stock of the bank, until the payments should amount to three per cent. of the capital stock. The "Bank Fund" thus created was to be invested by the State—a part of the income being used to pay the salaries of the Bank Commissioners, the remainder being paid over to the contributing banks as a dividend upon their respective contributions—and was to be "inviolably appropriated and applied to the payment of such portion of the debts, exclusive of the capital stock, of any of the said corporations which shall become insolvent, as shall remain unpaid after applying the property and effects of such insolvent corporations, as hereafter provided." The method of procedure provided for by the act, in case of a failure, was, *First*: The distribution of the assets of the bank in the customary way; *Second*: After all the assets should have been turned into money, and the final distribution thereof made among the creditors, a Court of Chancery should enter an order, showing the amount necessary to discharge the *remaining* debts, and authorize the Comptroller to pay such amount from the Bank Fund. Then, and not until then, could any part of the fund be applied to the purpose for which it was designed. Finally, whenever the fund should be reduced by such payment, the Comptroller should call upon the banks for additional contributions to the fund—not to exceed, however, one-half of one per cent. annually—to be continued until the fund should once more be made equal to three per cent. of the capital stock of the banks.

The act also authorized the appointment of three Bank Commissioners, and contained provisions limiting the circulation to twice the capital stock actually paid in, and the loans and discounts to two and one-half times the capital stock.

1837.—The act of May 8th, 1837, enabled the authorities to take such measures as might be necessary for the immediate payment of the notes of any insolvent bank whose liabilities in excess of assets should not exceed two-thirds of the Bank Fund and allowed the Comptroller to use his discretion as to the measures to be employed. The method actually adopted, in most cases, was the redemption, by the Comptroller in Albany, of the notes of any failed bank, due notice to all being given by publication. After the other creditors of the bank should be satisfied, the amounts thus paid from the Safety Fund in the redemption of bills, were to be repaid to the Comptroller from the remaining assets of the bank, if sufficient funds remained. At the final settlement of the affairs of the bank in this way, if the remaining assets should prove insufficient to fully reimburse the Bank Fund, the solvent banks should then be called upon to renew their contributions until the deficiency should be made good.

By the act of May 16, 1837—the act which authorized the suspension of specie payments—the amount of circulation permitted to be issued was restricted to \$150,000 on \$100,000 capital; \$200,000 on \$200,000 capital; \$800,000 on \$1,000,000 capital, \$1,200,000 on \$2,000,000 capital, etc.*

1840.—By the act of May 14, 1840, all banks except those located in New York, Brooklyn or Albany, were required to arrange for the redemption of their notes in New York or Albany, at not to exceed one-half of one per cent. discount.

1841.—The Bank Commissioners in 1841, after one or two serious failures had occurred, proposed:

(1) That the application of any portion of the fund to the redemption of notes of any insolvent bank should be considered as an absolute reduction of the fund, to reimburse which the banks should be required to renew their contributions to the Safety Fund immediately; or,

(2) That the receiver shall sell at public action, after a short, stipulated period, the assets of the bank, and make the final dividend, with a view to bringing the case as speedily as possible within the provisions of the law of 1829.

The first of these provisions was subsequently adopted by the Legislature,† so that when the system was so severely shaken by the failures of 1841 and 1842, the Comptroller had authority to compel the banks to renew their contributions to the fund at once—an authority which he was not slow to utilize.

1842.—April 12, 1842, when nine Safety Fund banks had failed, an act was passed providing that after the payment of the liabilities then charged against the fund, it should thereafter be applied only to the payment of circulating notes of failed banks. In anticipation of the facts which will be brought out later, it may be said, however, that the total remaining contributions of all the banks until the expiration of their charters, at various dates between 1845 and 1865, were hardly more than sufficient to pay the amounts charged against the fund at the passage of this act; so that the change came too late to be of any practical benefit in the administration of the system. It was hardly more than the recognition of the fact that a serious mistake had been made.

The Act of 1842, also authorized the redemption of the notes of insolvent banks in the order of the injunctions granted against them, continued the

* See p. 13.

Act of May 26, 1841, ch. 292, sec. 5.

contributions from the banks, and provided that the annual contributions for the next four, five, or six years might be commuted by advance payments made in the notes of any insolvent bank at par, with an allowance of interest at the rate of 7 per cent. to such dates as the contributions would regularly have become due. This provision, it will be noted, made a practical exception to the previously prescribed rule that the notes of all banks should be redeemed from the fund in the order of the injunctions, inasmuch as it allowed the notes of the bank last failing to be redeemed in this way alongside the notes of the earlier cases. This was an advantage accruing only to the banks; individuals holding the notes of the banks last failing could obtain no benefit from it.

1843.—In 1843, to guard against over issues, an act was passed providing for the substitution of notes registered and countersigned by the Comptroller, to be delivered to the banks in blank, for the hitherto unrecorded issues—their original plates being surrendered by the banks. The office of Bank Commissioner was abolished at this time, and the duties of that office assigned the Comptroller, to whom each bank was required to make quarterly reports.

1845.—By the Act of April 28, 1845, the Comptroller was authorized to issue stock on behalf of the State, redeemable from subsequent contributions to the Bank Fund, with which to secure funds promptly to settle with the creditors of the eleven Safety Fund banks which were then insolvent.

1846.—The next step of importance in the development of the bank-note currency of the State was the Constitution of 1846, making the notes a first charge upon all the assets of any bank or banking association, and making the stockholders individually responsible, each to the amount of the stock held by him, for all debts or liabilities contracted after January 1, 1850.

1848.—By the Act of April 12, 1848, it was provided that any bank with a capital of more than \$200,000 might issue notes up to the amount of capital paid in. The increase thus authorized was required to be secured by pledge of stocks in the same manner as the notes of “Free Banking” associations.

1866.—By Act of April 13, 1866, the Superintendent of Banking was directed to apportion the remnant of the Safety Fund then in his hands to the payment of circulation of failed banks still outstanding.

EXPERIENCE.

During the same session of the Legislature in which the original act of 1829 was passed, sixteen banks were rechartered in accordance with its provisions, and eleven new banks, also subject to this law, were established. The New York City banks at first refused to accept charters under the law, though they were glad enough to do so later on, when it became apparent that it would be impossible for them to secure any extension of their charters except under the “Safety Fund” Act. In 1830, nine new banks were chartered; in 1831, eight (all New York City banks) were re-chartered, and nine were newly established; in 1832, two were re-chartered and seven were chartered; in the years 1833 to 1836, inclusive, twenty-eight new banks were chartered. In 1836 the capital of one bank—the Dutchess County Bank—was increased to \$450,000, and the bank placed under the provisions of the Safety Fund law, although the period of incorporation was not extended—it having then nine years yet to run. In 1839, two banks whose charters were about to expire were rechartered under the provisions of the Safety Fund law—their existence being continued until July 1st, 1845. This makes a total of ninety-three banks, with an aggregate original capital of nearly \$38,000,000, either established or re-chartered under this act; although the largest number ever in operation at any one time was ninety-one, with an actual capital of \$32,951,460.

The table below contains the name, amount of capital, date of incorporation or re-incorporation, and expiration of charter of each of these banks—the names of banks which afterwards failed being put in italics.

BANKS CHARTERED AND RECHARTERED BY THE STATE OF NEW YORK UNDER THE SAFETY FUND SYSTEM.

Year Chartered.	Charter Expired.	Name of Bank.	Location.	Capital.
Banks Rechartered.				
1829.....	Jan. 1, 1855.....	Bank of Albany.....	Albany.....	\$240,000
“.....	“ 1850.....	Bank of Auburn.....	Auburn.....	200,000
“.....	“ 1853.....	Bank of Catskill.....	Catskill.....	150,000
“.....	“ 1855.....	Central Bank.....	Cherry Valley.....	120,000
“.....	“ 1856.....	Bank of Chenango.....	Norwich.....	120,000
“.....	“ 1853.....	Farmers’ Bank.....	Troy.....	278,000
“.....	“ 1853.....	Bank of Geneva.....	Geneva.....	400,000
“.....	“ 1854.....	Jefferson County Bank.....	Watertown.....	200,000
“.....	“ 1853.....	Mechanics’ & Farmers’ Bank.....	Albany.....	442,000
“.....	See Note A.....	(Middle District Bank).....		(500,000)
“.....	Jan. 1, 1853.....	Mohawk Bank.....	Schenectady.....	165,000
“.....	“ 1851.....	Bank of Newburgh.....	Newburgh.....	140,000
“.....	“ 1851.....	New York State Bank.....	Albany.....	368,600
“.....	“ 1856.....	{ Ontario Bank { and branch {.....	{ Canandaigua { and Utica {.....	500,000

BANKS CHARTERED AND RECHARTERED BY THE STATE OF NEW YORK UNDER THE SAFETY FUND SYSTEM.—*Concluded.*

Year Chartered.	Charter Expired.	Name of Bank.	Location.	Capital.
Banks Rechartered.				
1829.....	Jan. 1, 1853.....	Bank of Troy.....	Troy.....	\$140,000
".....	" 1850.....	Bank of Utica.....	Utica.....	600,000
1831.....	" 1853.....	Bank of America.....	New York.....	2,001,200
".....	July 1, 1852.....	City Bank.....	".....	720,000
".....	Jan. 1, 1855.....	Mechanics' Bank.....	".....	2,000,000
".....	" 1853.....	Bank of New York.....	".....	1,000,000
".....	" 1857.....	Merchants' Bank.....	".....	1,490,000
".....	" 1855.....	Tradesmen's Bank.....	".....	400,000
".....	" 1853.....	Union Bank.....	".....	1,000,000
".....	" 1854.....	Phoenix Bank.....	".....	1,500,000
1832.....	July 1, 1855.....	Bank of Lansingburg.....	Lansingburg.....	120,000
".....	Jan. 1, 1862.....	Bank of Orange County.....	Goshen.....	105,660
1836.....	July 1, 1845.....	Dutchess County Bank.....	Poughkeepsie.....	600,000
1839.....	".....	Long Island Bank.....	Brooklyn.....	300,000
".....	".....	Bank of Rochester.....	Rochester.....	250,000
Banks Chartered.				
1829.....	July 1, 1857.....	National Bank.....	New York.....	750,000
".....	Failed 1848.....	Canal Bank of Albany.....	Albany.....	300,000
".....	Jan. 1, 1852.....	Bank of Genesee.....	Batavia.....	100,000
".....	" 1850.....	Bank of Ithaca.....	Ithaca.....	200,000
".....	Sec Note B.....	Lockport Bank.....	Lockport.....	100,000
".....	Jan. 1, 1854.....	Merchants' & Mechanics' Bank.....	Troy.....	300,000
".....	June 4, 1849.....	Merchants' Exchange Bank.....	New York.....	750,000
".....	Jan. 1, 1850.....	Bank of Monroe.....	Rochester.....	300,000
".....	" 1859.....	Ogdensburg Bank.....	Ogdensburg.....	100,000
".....	Failed 1840.....	Wayne County Bank.....	Palmyra.....	100,000
".....	June 14, 1859.....	Bank of Whitehall.....	Whitehall.....	100,000
1830.....	Jan. 1, 1853.....	Butchers' & Drovers' Bank.....	New York.....	500,000
".....	June 4, 1855.....	Greenwich Bank.....	".....	200,000
".....	" 12, 1855.....	Hudson River Bank.....	Hudson.....	150,000
".....	July 1, 1855.....	Livingston County Bank.....	Genesee.....	100,000
".....	Jan. 1, 1857.....	Mechanics' & Traders' Bank.....	New York.....	200,000
".....	" 1854.....	Onondaga County Bank.....	Syracuse.....	150,000
".....	".....	Otsego County Bank.....	Cooperstown.....	100,000
".....	" 1858.....	Bank of Poughkeepsie.....	Poughkeepsie.....	100,000
".....	" 1857.....	Saratoga County Bank.....	Waterford.....	100,000
1831.....	" 1855.....	Broome County Bank.....	Binghamton.....	100,000
".....	Failed 1841.....	Bank of Buffalo.....	Buffalo.....	200,000
".....	Jan. 1, 1860.....	Chautauque County Bank.....	Jamestown.....	100,000
".....	" 1858.....	Madison County Bank.....	Cazenovia.....	100,000
".....	" 1857.....	Montgomery County Bank.....	Johnston.....	100,000
".....	Failed 1842.....	Oswego County Bank.....	Oswego.....	150,000
".....	Jan. 1, 1860.....	Tanners' Bank.....	Catskill.....	100,000
".....	June 1, 1861.....	Ulster County Bank.....	Kingston.....	100,000
".....	Failed 1857.....	Yates County Bank.....	Penn Yan.....	100,000
1832.....	Jan. 1, 1860.....	Brooklyn Bank.....	Brooklyn.....	200,000
".....	" 1862.....	Essex County Bank.....	Keeseville.....	100,000
".....	June 1, 1862.....	Leather Manufacturers' Bank.....	New York.....	600,000
".....	Jan. 1, 1866.....	Bank of Rome.....	Rome.....	100,000
".....	" 1862.....	Bank of Salina.....	Salina.....	150,000
".....	" 1862.....	Schenectady Bank.....	Schenectady.....	150,000
".....	" 1862.....	Steuben County Bank.....	Bath.....	150,000
1833.....	" 1863.....	Cayuga County Bank.....	Auburn.....	250,000
".....	".....	Chemung Canal Bank.....	Elmira.....	200,000
".....	".....	Herkimer County Bank.....	Little Falls.....	200,000
".....	Failed 1854.....	Lewis County Bank.....	Martinsburgh.....	100,000
".....	Jan. 1, 1863.....	Seneca County Bank.....	Watertown.....	200,000
".....	".....	Seventh Ward Bank.....	New York.....	500,000
".....	".....	Troy City Bank.....	Troy.....	300,000
".....	".....	Westchester County Bank.....	Peckskill.....	200,000
1834.....	" 1864.....	Albany City Bank.....	Albany.....	500,000
".....	Failed 1841.....	Commercial Bank of Buffalo.....	Buffalo.....	400,000
".....	".....	Commercial Bank of New York.....	New York.....	500,000
".....	Jan. 1, 1864.....	Farmers' & Manufacturers' Bank.....	Poughkeepsie.....	300,000
".....	".....	Highland Bank.....	Newburgh.....	200,000
".....	Failed 1842.....	Lafayette Bank.....	New York.....	500,000
".....	" 1857.....	Bank of Orleans.....	Albion.....	200,000
".....	" 1857.....	Sacket's Harbor Bank.....	Sacket's Harbor C.....	200,000
1836.....	Jan. 1, 1866.....	Atlantic Bank.....	Brooklyn.....	500,000
".....	Failed 1840.....	City Bank of Buffalo.....	Buffalo.....	400,000
".....	" 1842.....	Clinton County Bank.....	Plattsburg.....	200,000
".....	" 1841.....	Commercial Bank of Oswego.....	Oswego.....	250,000
".....	Jan. 1, 1866.....	Kingston Bank.....	Kingston.....	200,000
".....	Failed 1842.....	Bank of Lyons.....	Lyons.....	200,000
".....	Jan. 1, 1866.....	Oneida Bank.....	Utica.....	400,000
".....	".....	Bank of Oswego.....	Oswego.....	200,000
".....	".....	Rochester City Bank.....	Rochester.....	400,000
".....	".....	Bank of the State of New York.....	New York.....	2,000,000
".....	".....	Tompkins County Bank.....	Ithaca.....	250,000
".....	Failed 1842.....	Watervliet Bank.....	Watervliet.....	250,000

Total, 93 banks. Aggregate capital.....\$33,551,460

NOTE A.—The Middle District Bank ought hardly to be included in this list, as it failed in 1829, just after its charter was extended, but before the first contributions to the Safety Fund were due, and before its liabilities could become a charge upon the Fund.

NOTE B.—Charter of the Lockport Bank annulled by the Legislature in 1837.

NOTE C.—The location of Sacket's Harbor Bank was changed in 1852 to Buffalo, and its name shortly afterwards changed to "Reciprocity Bank."

FIRST RESORT TO THE SAFETY FUND.

The first occasion for the use of the Safety Fund occurred in 1837. Early in May of that year injunctions were issued against three banks in Buffalo—the City Bank of Buffalo, the Bank of Buffalo and the Commercial Bank of Buffalo. Immediately upon the passage of the Act of May 8, 1837, mentioned above, the Chancellor authorized the Comptroller to take such measures as he might deem necessary for the immediate payment of the ordinary notes of these banks.

Their outstanding circulation at the time was reported by the Bank Commissioners to be :

Bank of Buffalo.....	\$111,234
Commercial Bank of Buffalo	174,782
City Bank of Buffalo.....	127,845
Total.....	\$413,961

The “measures deemed necessary” by the Comptroller were to authorize and give public notice that the bills of those banks would be received in payment of canal tolls and all other debts to the State; a measure which gave general credit to the bills in actual circulation. Between May 8 and June 30 there had been redeemed from the Bank Fund, of the notes of the Bank of Buffalo, \$21,815; of the Commercial Bank of Buffalo, \$18,173; and of the City Bank of Buffalo, \$24,495. These advances, together with interest at 7 per cent., were repaid to the Safety Fund by the several banks on whose account they had been made.

In the same year the charters of two banks were repealed by the Legislature. These were the Sacket's Harbor Bank (charter repealed May 12, 1837) and the Lockport Bank (charter repealed May 15, 1837). On the 20th of May orders similar to those issued in the case of the Buffalo banks were issued authorizing the Comptroller to take measures for the immediate payment of the bills of these banks, after providing for the payment of the bills of the three banks against which prior injunctions had been granted. The reported circulation of the Sacket's Harbor Bank at the time was \$154,552; and that of the Lockport Bank, \$65,172.

“Notice was immediately given by the Comptroller that the bills of those banks would be received for canal tolls, and all payments to the State Treasury: * * * and the Comptroller did not deem it necessary to make any other provision than that before alluded to for the redemption of these bills, until a general arrangement was entered into by the banks for redeeming their bills in New York City. When this took effect notice was given that the bills of the Sacket's Harbor and Lockport banks would be redeemed at the bank where the Treasury deposits are kept in the city of Albany.”*

The charter of the Sacket's Harbor Bank was shortly afterwards revived and all the charges on the fund on account of that bank were reimbursed by it as follows: Notes redeemed, \$92,361; accrued interest, \$814.29; total, \$93,175.29.

The charter of the Lockport Bank, however, was not renewed. The amount of bills redeemed from the Fund was \$36,168, in addition to which the bank itself redeemed at its own counters some \$20,000. The trustees of the bank paid over to the Comptroller, for the benefit of the Bank Fund, \$35,189.75, leaving unsettled a balance of \$978.25, together with \$2,021.75 accrued interest, which amounts were involved in controversy between the Comptroller and the bank. This was finally settled in 1841 by a special act of the Legislature which recognized the claim of the bank—the latter giving satisfactory security for the redemption of all its outstanding notes, and pledging itself to indemnify the Bank Fund against all claims upon it on account of any debts of the bank. The Safety Fund was therefore practically intact in 1840 when the first really serious failures occurred and stood at \$870,615.76.

DISASTROUS FAILURES.

In the years 1840–42 there came following, one upon another, eleven important failures, viz :

(1.) City Bank of Buffalo.....	Feb. 3, 1840.
(2.) Wayne County Bank.....	Dec., 1840.
(3.) Commercial Bank of New York.....	Sept., 1841.
(4.) Bank of Buffalo.....	Nov. 2, 1841.
(5.) Commercial Bank of Buffalo.....	Nov. 15, 1841.
(6.) Commercial Bank of Oswego.....	Dec. 7, 1841.
(7.) Watervliet Bank.....	Mar. 9, 1842.
(8.) Clinton County Bank.....	Apr. 9, 1842.
(9.) Lafayette Bank.....	Feb., 1842.
(10.) Bank of Lyons.....	Sept. 13, 1842.
(11.) Bank of Oswego.....	, 1842.

In the case of the first three of these the Comptroller at once proceeded, in accordance with the Act of 1837, to redeem the notes as fast as presented. By the

* Comptroller's Report, 1838, p. 16.

contributions of the banks in January, 1841, the fund was brought up to about \$914,000.

From the terms of the Act of 1837 the Comptroller considered it manifest that the immediate redemption of notes of failed banks was to be provided for only so long as one-third of the Bank Fund should still be left untouched and that until further contributions were made to the fund he had at his disposal, for the purpose of redeeming notes, only two-thirds the aggregate contributions up to date, or less than \$610,000. When the Commercial Bank of New York failed in September, 1841, \$427,876 of this had already been exhausted in the redemption of the notes of the City Bank of Buffalo and the Wayne County Bank. The redemption of the bills of the Commercial Bank of New York took \$118,631 more before the close of the year. This left the Comptroller only about \$60,000 from the amount he felt authorized to apply to this purpose, and when the Bank of Buffalo failed in November, 1841, with a reported circulation of \$290,000,* the Comptroller expressed his belief that there was no legal authority for undertaking the redemption of the bills of this bank.

The Bank Commissioners, however, interpreting the law to mean that the redemption of notes should be provided for if the liabilities, over and above the assets, did not exceed two-thirds of the *balance of the bank fund* then unexpended, authorized the Comptroller to take measures for the payment of the notes of the Bank of Buffalo. The immediate question in dispute was rendered of less importance by the fact that the Comptroller had already issued a call for a further contribution of $\frac{1}{2}$ of one per cent. from each bank, to be paid on or before Jan. 1, 1842, which added \$161,899.19 to the fund.

Though several other failures followed closely on that of the Bank of Buffalo, it was deemed impossible to utilize any portion of the Bank Fund for the redemption of their bills, the balance then being only about \$300,000—which must be set apart for the depositors and other creditors of the banks previously failed.

At this juncture came the passage of the Act of 1842, permitting the banks to anticipate their annual contributions for the next four, five or six years by advance payments in which the notes of any of the then insolvent banks would be received.

The banks quite generally took advantage of this provision, as considerable amounts of the bills of broken banks had collected in their hands, in most cases accepted at a considerable discount, and the opportunity to invest them at par in such shape that they would be drawing 7 per cent. interest was eagerly seized. Within the six months allowed them by the act sixty-four banks had paid up nearly half a million dollars, in the notes of the following banks—all of which became insolvent subsequent to the Bank of Buffalo :

Commercial Bank of Buffalo.....	\$138,528
Commercial Bank of Oswego.....	140,330
Watervliet Bank.....	98,877
Lewis County Bank†.....	636
Bank of Lyons.....	25,545
Lafayette Bank.....	14
Clinton County Bank.....	73,679
Total....	\$477,609

In addition to the \$477,609 thus virtually redeemed from the Bank Fund, the Comptroller exchanged \$100,000 of 7 per cent. Bank Fund stock for \$60,000 in notes of the Bank of Buffalo, \$20,000 in notes of the Commercial Bank of Buffalo, and \$20,000 in current funds.

In May, 1843, the Comptroller was enjoined from using any portion of the Bank Fund for the purpose of paying creditors of any bank that may have become insolvent since the failure of the Bank of Buffalo, without reserving enough to pay all the creditors of the Bank of Buffalo and the three banks whose failures had preceded it. The object of this was, of course, to protect the interests of the depositors and other general creditors of the City Bank of Buffalo, the Wayne County Bank, the Commercial Bank of New York, and the Bank of Buffalo. Until all the debts of these four banks were provided for not even the notes of the banks that failed later could be redeemed.

During the next year the Comptroller continued the redemption of the notes of the four first mentioned banks and by Sept. 30, 1844, the total redemptions—including also the amounts received in commutation of contributions to the safety fund and the amounts for which stock had been exchanged—amounted to \$1,502,170 ; while the bank fund on hand at the same date amounted to \$145,493.72.

In accordance with the Act of April 28, 1845, the Comptroller issued stock for the payment of which the future contributions of the remaining banks of the system were pledged, and with the proceeds prepared to settle up all charges against the Safety Fund. June 6th, 1845, he gave notice that he would redeem at

* The actual circulation, as shown by subsequent developments, was over \$400,000.

† The Lewis County Bank was temporarily enjoined during a part of the year 1842, which accounts for its appearance here. It shortly afterwards resumed business and thereafter redeemed its own notes.

par the outstanding notes of all insolvent banks, and between that date and Sept. 30, 1850, he did redeem such as were presented—amounting to about \$113,000—\$37,754 of which was by the issue of stock and the remainder by the payment of cash from the fund. This made the total redemptions on account of the notes of these banks, up to Sept. 30, 1850, as follows

City Bank of Buffalo.....	\$317,107
Wayne County Bank.....	113,131
Commercial Bank of New York.....	139,837
Bank of Buffalo.....	435,540
Commercial Bank of Buffalo.....	186,861
Commercial Bank of Oswego.....	163,162
Watervliet Bank.....	134,107
Clinton County Bank.....	71,896
Bank of Lyons.....	52,898
Lafayette Bank.....	38
Total.....	\$1,614,577

It would appear from later reports that subsequent to 1850, some \$725 was paid out in redemption of additional bills of these banks, but it is impossible to ascertain the individual banks to which this should be charged.

PAYMENT OF OTHER CREDITORS THAN NOTE-HOLDERS.

The Act of 1845 recognized the liability of the fund not only as towards the holders of the circulating notes, but also to the general creditors of the banks that had already failed, and provided the means for meeting their demands. It called, first, upon the several receivers to furnish estimates of the additional amounts required to enable them to pay all their creditors, and directed the Comptroller to issue State stock to an amount sufficient to meet all the demands against the fund.

In Dec., 1845, the receivers of six banks reported that the following amounts would be required to enable them to pay off their creditors: Bank of Buffalo, \$150,000; Commercial Bank of Buffalo, \$435,000; Watervliet Bank, \$100,000; Commercial Bank of Oswego, \$90,000; Clinton County Bank, \$142,000; Bank of Lyons, \$100,000, total, \$1,017,000.

The method of settlement followed by the Comptroller was, in general, taking up the creditors of only one or two banks at a time, to pay all debts of less than \$1,000 in cash, and issue stock in payment of all claims for larger sums. During the few months intervening between the passage of the Act and the close of the fiscal year, Sept. 30, 1845, he settled with all the general creditors of three banks, liquidating claims to the following amounts: Bank of Buffalo, \$149,241.22; Commercial Bank of New York, \$146,129.23; Commercial Bank of Oswego, \$78,351.63; Total, \$373,722.08—of which \$69,488 was by payments of cash from the Fund, and \$304,233.69 by the issue of stock. This was the first application of any portion of the Safety Fund to debts other than circulation. In the course of the next year the creditors of the Commercial Bank of Buffalo were settled with in full and a beginning made with the creditors of the other banks, which were shortly afterwards disposed of.

By 1851 the following amounts had been paid out in settlement of debts other than circulation:

Wayne County Bank.....	\$16,077.70
Commercial Bank of New York.....	146,129.23
Bank of Buffalo.....	149,241.22
Commercial Bank of Buffalo.....	424,514.87
Commercial Bank of Oswego.....	78,351.63
Watervliet Bank.....	77,484.09
Clinton County Bank.....	156,257.39
Bank of Lyons.....	40,053.08
Total.....	\$1,088,109.21

Of the whole eleven banks whose failures occurred so near together, only two—the Lafayette Bank of New York and the Bank of Oswego—found themselves able to settle with all their creditors and redeem all their circulating notes without calling upon the Bank Fund for assistance.

The contributions of the solvent banks had by this time so far surpassed the current demands upon the fund that by Sept., 1850, the Comptroller had been able to call in and pay off over \$200,000 of the Bank Fund stock, leaving outstanding on that date \$715,905.33.

The creditors of the banks having been in this way satisfied either by means of payments from the fund or the issue of Bank Fund stock, the Safety Fund became the natural claimant for whatever amounts should be realized from the remaining assets in the hands of the receivers, up to the full amount advanced.

In December, 1845, the receivers had reported the amounts of assets sold and on hand, and estimated the value of the remaining assets as follows:

	Assets at Failure.	Amount Realized.	Amount of Assets Unsold.	Estimated Value of Unsold Assets.
City Bank of Buffalo.....	\$739,017.35	\$166,576.08	\$570,000.00	\$50,405.00
Bank of Buffalo.....	1,221,843.30	82,836.69	.....	.....
Commercial Bank of Buffalo.....	985,063.92	172,863.64	456,447.31	49,689.86
Wayne County Bank.....	293,970.39	56,743.60	216,200.69	22,627.53
Bank of Lyons.....	385,608.08	37,444.64	236,229.34	11,524.47
Bank of Oswego.....	213,353.25	32,693.00	163,813.00	a
Clinton County Bank.....	543,429.66	76,019.47	64,381.57	12,752.65
Commercial Bank of New York.....	858,471.68	303,338.74	301,405.96	b
Watervliet Bank.....	202,378.91	19,458.73	204,137.49	.....
Commercial Bank of Oswego.....	507,173.36	80,652.59	94,087.19	10,525.15

(a) Receiver of the Bank of Oswego unable to affix any definite value to remaining assets. Thinks they will prove sufficient to pay all the debts of the bank by the following summer.

(b) The Commercial Bank of New York had already realized enough to declare a dividend of 70% to its creditors. Impossible to assign values to remaining assets; but thinks it quite probable that there will still be a deficiency to be met by the Safety Fund.

After the assumption and settlement of the debts of the several banks by the Comptroller, the conversion of the remaining assets into cash became slow. In some instances the receivers advertised and sold the assets at public auction, in which case the Comptroller usually appointed an agent to look after the interests of the Safety Fund and bid in such assets as seemed to be going at a sacrifice. In this way, in November, 1845, the Comptroller bid off for \$16,900 assets of the City Bank of Buffalo of a nominal value of \$470,000. Likewise the most of the remaining assets of the Watervliet Bank were bid off by the Comptroller. In the cases where the receiver continued the slow process of collecting the assets, the proceeds, after expenses were deducted, were turned over to the Comptroller from time to time, and where the assets themselves came into the hands of the latter, as fast as anything was realized from them it was turned into the Bank Fund. The amounts thus realized between 1845 and 1866 were as follows:

City Bank of Buffalo.....	\$99,995.52
Watervliet Bank.....	13,258.52
Bank of Lyons.....	3,760.60
Commercial Bank of Oswego.....	2,392.33
Commercial Bank of New York.....	7,188.17
Commercial Bank of Buffalo.....	5,000.00
Banks not specified in reports.....	6,482.24
Total.....	\$138,077.38

The Comptroller on several different occasions called attention to the fact that these assets were not being turned into money as rapidly or to so large an extent as they might be if in the hands of individuals, and requested authority to sell those still remaining in his hands for what they would bring. This authority, however, was not given him, and considerable amounts that could probably have been collected if they had been given careful attention, were allowed to remain uncollected until the statute of limitations effectually cut off all hope of realizing anything further.

To summarize the transactions between these insolvent banks and the Safety Fund and to present briefly the more important facts in regard to each, the following will prove valuable:

	Capital Stock.	Circulation allowed.	Circulation reported previous to failure.	Circulation outstanding at failure, as reported by Receiver.	Payments from the Bank Fund.		Receipts from assets, paid to Bank Fund.	BALANCE.
					In redemption of notes.	In payment of other debts.		
City Bk. of Buffalo	\$400,000	\$300,000	\$268,922	.....	\$317,107	.....	\$99,995.52	\$217,111.48
Wayne Co. Bk...	100,000	150,000	144,392	{ \$122,038 17,354 a }	113,131	\$16,077.70	.....	129,208.70
Com. Bk. of N. Y.	500,000	350,000	121,370	{ 120,000 25,000 a }	139,837	146,129.23	7,188.17	278,778.06
Bank of Buffalo..	203,000	200,000	195,760	{ 265,000 25,000 a }	435,510	149,211.22	.....	584,781.22
Com. Bk. of Buff'lo	400,000	300,000	246,662	{ 488,257 c 197,000 }	186,861	424,514.87	5,000.00	606,375.87
Com Bk of Oswego	250,000	225,000	216,096	{ 11,650 a 21,537 b }	163,162	78,351.63	2,392.33	239,121.30
Watervliet Bank.	250,000	225,000	114,510	{ 126,778 69,779 }	134,107	77,484.09	13,258.52	198,332.57
Clinton Co. Bk...	200,000	200,000	167,781	{ 80,424 a 80,424 a }	71,896	156,257.39	.....	228,153.39
Bank of Lyons...	200,000	200,000	80,825	109,000	52,898	40,053.08	3,960.60	88,990.48
Lafayette Bank..	500,000	350,000	71,598	.....	38	.....	.....	38.00
Oswego Bank....	150,000	175,000	95,450	.....	.....	.....	.....	.....
Not specified....	.....	.....	.....	.....	725	.....	6,482.24	.....
Total.....	\$3,150,000	\$2,675,000	.....	.....	\$1,615,302	\$1,088,109.21	\$138,277.38	\$2,565,133.83

a. Claimed as belonging to the bank, mainly in the hands of redemption agents.

b. Held by other banks as collateral security.

c. About \$100,000 of these notes were claimed as being the property of the bank, held by others mainly as collateral security.

After the failure of these eleven banks, as already outlined, the Safety Fund was left in such shape as to afford little security for the circulation of the remaining banks, the future contributions being practically mortgaged to their full extent by the outstanding Bank Fund stock, amounting at one time to more than \$900,000. To the extinguishment of this debt the annual contributions of the remaining banks were applied.

Happily the failures of the remaining period were few, numbering but five.

The Canal Bank of Albany, with a capital stock of \$300,000, had outstanding in July, 1848, when it failed, circulating notes to the amount of \$185,531. But meanwhile the new Constitution of 1846 had made the circulating notes a first charge upon the assets. The receiver, accordingly, redeemed the circulation at once, and the Bank Fund, therefore, did not enter into the case at all. So far as can be ascertained, there was no depreciation of the notes in the hands of other banks or the public at the time of the failure.

The Lewis County Bank which failed in November, 1854, was not so fortunately situated. This institution, located at Martinsburg, had a nominal paid-up capital of \$100,000, and under the existing law was entitled to issue \$150,000 circulation. How near it came to being a bank of issue, pure and simple, can be determined from its last annual statement previous to failure, which reported the liabilities to the public to be :

Circulation	\$148,545
Deposits	1,998
Due other banks and corporations	961
Total	\$151,504

At the time the bank passed into the hands of the receiver there were no liabilities whatever on account of deposits or other debts than circulation.

Although it became apparent at once that the receiver would be unable to collect sufficient funds to redeem the notes of the bank, the Safety Fund could then afford no assistance. For, as has already been pointed out, all future contributions to that fund until after 1860 were pledged for the redemption of the Bank Fund stock which had been issued in 1845 and 1846 to settle with the creditors of the banks which had then become insolvent. Twelve years later arrangements were made whereby the notes still outstanding were finally redeemed from the surplus of the Safety Fund after the payment of the stock issued against it.

The crisis of 1857 brought in its train the downfall of three more safety fund banks, whose outstanding circulation at the time was reported as follows :

Bank of Orleans	\$200,000
Reciprocity Bank	159,577
Yates County Bank	148,958
Total	\$508,535

In these cases, however, the assets were such as to enable a much larger part of the circulation to be redeemed. By 1866 the outstanding notes had been reduced in amount to :

Bank of Orleans	\$ 7,598
Reciprocity Bank	10,744
Yates County Bank	18,715
Total	\$37,057

In his report for 1867 the Superintendent of Banking states the outstanding circulation of these four latest failures to have been reduced to \$129,499. The surplus fund remaining at his disposal after the last of the Bank Fund stock had been provided for enabled him to declare a dividend of 40 % on these notes. But at the end of the year so few of the notes had been presented—mainly owing, doubtless, to the destruction of the greater part of the notes of the Lewis County Bank in the twelve years that had elapsed since its failure—that the Superintendent was able to redeem in full the certificates for the unpaid 60 % given upon payment of the first dividend to the bill-holders. There was then still left a balance of \$13,144.19, which was paid into the Treasury. A part of it was afterward paid to the representative of the Bank of Oswego for excess of contribution in 1842.

From the inception of the Safety Fund to its close the total contributions thereto amounted to \$3,104,999.51; and the total payments therefrom—including not merely the circulating notes, but, as to the earlier failed banks, all other liabilities, comprising depositors' accounts—amounted to less than \$2,600,000, the remainder having been paid as interest for advances to the fund in 1845-6, to enable it to meet the extraordinary losses of that period.

DEFECTS AND REMEDIES.

Political Charters.

The practice of granting special banking charters gave way in 1838 to a system of banks incorporated under general law—a change brought about largely by a widespread reaction against the corruption which had crept into the establishment and management of the specially chartered banks during the previous decade.

It must be remembered that up to this time, in the State of New York, as in the greater part of the United States, banking was a monopoly; and the issue of a charter for bank purposes was the grant of an important privilege, for which concessions were occasionally required to be made the State, but which was more often included in the general distribution of the spoils of office among the friends of the dominant party in the Legislature. It is little wonder, therefore, that this became a favorite field for corruptionists, and that the legislative struggles over the granting of bank charters were oftentimes violent almost beyond description.

Even after the legislative battle had been fought and won, the distribution of the stock was still a matter for dispute. This was generally entrusted to the Bank Commissioners or to specially appointed agents, and was not often managed in such a way as to give the best of satisfaction.*

Nor was this most unsatisfactory method of inaugurating banking corporations lacking in effect upon their subsequent career. The means and methods employed in their establishment led to unsound and often deceptive management. Many of the banks chartered when the scandal was at its highest were originally organized and subsequently managed by a few individuals solely with a view to profitable speculation in their stock. That the real strength of the system was in its older banks, and its weakness in those chartered under the conditions suggested above, may be gathered from a glance at the table on page 291, where the names of those banks which afterward failed are printed in italics. It will be noticed that of the twenty-eight older banks rechartered and doing business under the safety fund system none failed. But of the sixty-four new banks chartered in the seven years following the passage of the Safety Fund Act no less than sixteen afterwards failed, and the charter of one other was revoked by the Legislature on account of its unbusinesslike transactions.

Speculative Banking.

Then, too, the period following the expiration of the charter of the Second United States Bank was one of excessive speculation. There was not only an undue expansion of the field of banking by which banks were established where no legitimate demand for them ever existed, but the speculative mania which had fastened upon nearly every branch of business involved the customers of every banking institution, while the competition among banks themselves led to careless scrutiny of commercial paper.

In this connection it will prove most instructive to recur to the table on page 291. Of the forty-four banks newly chartered between 1829 and 1883, inclusive, seven afterwards failed; while of the twenty banks chartered in the speculative years 1834-36 no less than ten afterwards became insolvent. That record—a mortality of fifty per cent.—shows more plainly than any extended discussion can do that the failures which so shook the system in 1841-42 are traceable more or less directly to the management of these institutions organized during the era of speculation commencing early in the thirties and culminating in the commercial crisis of 1837-1839.

Over-issues.

One of the first lessons learned was that the safety of the system demanded more perfect security against fraudulent over-issues of circulating notes.

Until 1837 the circulation of the safety fund banks was limited by their charters to twice the amount of their capital stock. But by the act which authorized the suspension of specie payments, further limitations were placed upon the issue of notes, as follows:

Capital.	Circulation.	Capital.	Circulation.
\$100,000.....	\$150,000	\$500,000.....	\$350,000
120,000.....	160,000	600,000.....	450,000
150,000.....	175,000	700,000.....	500,000
200,000.....	200,000	1,000,000.....	800,000
250,000.....	225,000	1,490,000.....	1,000,000
300,000.....	250,000	2,000,000.....	1,200,000
400,000.....	300,000		

In 1848 the limit in the case of banks of more than \$200,000 capital was increased to the full amount of their capital.

In the case of the City Bank of Buffalo (see table on page 11) the actual redemptions from the Bank Fund after failure exceeded the lawful circulation by \$17,107, and the previously reported circulation by nearly \$50,000. In the case of the Commercial Bank of the same city it was ascertained that the amount of its bank notes out of its control at the time of the failure was \$488,257—nearly twice the lawful issue—though in this case the larger part of the notes were returned to

*On this point the Bank Commissioners, in their report for 1837, say:

"The distribution of bank stocks created at the last session has in very few, if any, instances been productive of anything like general satisfaction. In most instances its fruits have been violent contention and bitter personal animosities, corrupting to the public mind and destructive of the peace and harmony of society."

the bank and the final redemptions from the Safety Fund fell within the prescribed limit.

But the most flagrant violation in the way of fraudulent over-issue occurred in connection with the Bank of Buffalo. This bank, having a capital of \$200,000, was lawfully entitled to issue notes only up to that amount. The discovery that its issues were \$13,000 in excess of this was one of the causes of the injunction granted in November, 1841. A thorough examination of the books and accounts of the bank led to the belief that there were about \$290,000 outstanding. The exact amount was never definitely ascertained, but aside from any amounts that may have been lost or that received by the bank itself in the settlement of its affairs, the Comptroller redeemed from the Safety Fund no less than \$435,540—\$235,540 in excess of the maximum prescribed by statute.

The over-issues of these two banks alone—the City Bank of Buffalo and the Bank of Buffalo—cost the Safety Fund \$252,647 more than the maximum circulation to which they were entitled; while an examination of the affairs of all the insolvent banks showed that their actual outstanding circulation at the time of failure amounted in the aggregate to \$600,000 more than that stated in their last annual returns, a difference much too great to be due to any actual increase in the circulation.

The act of 1843 corrected the defect noted by providing for issue by the Comptroller in blank and registry of all State Bank bills.

Application of the Safety Fund.

The experience in this regard has been too fully given above to make it necessary here to do more than note how illogical was the original use of the Safety Fund to pay local depositors as well as note holders; how disastrous in practice was the result, and how this was remedied.

Mistaken Basis for the Assessment.

The Safety Fund was to be made up and kept good by an assessment (when-ever required) of one-half of one per cent. per annum upon the *capital* of the co-operating banks. It was only in the most imperfect way that in the case of each bank, after 1837, its capital corresponded to its authorized circulation; while almost exclusively it was the smaller banks which, deriving from their circulation the greater proportion of their profits, continually kept near the limit in this regard. As a consequence, not merely were the strong banks unduly burdened to guarantee the notes of the weak ones, but, since the assessment to be paid by each was unaffected by the amount of its outstanding notes, such assessment was no obstruction to increase of circulation. Had it been based instead upon the average amount of outstanding circulation, not merely would the law more promptly have provided against over-issues, but to some extent the tax itself would have been a brake upon excessive issues. Such were among the considerations which, at the very outset, were the grounds for complaints by the larger New York banks, and which would doubtless have been remedied had not an entirely different system been adopted before the safety fund plan itself had been perfected.

RESULTS.

As the weak points noted became apparent the Legislature was prompt to apply remedies, as noted in the chapter on legislation at pages 288-290. How appropriate and effective were the means thus adopted can perhaps be so well illustrated in no other way as by the calculations below of what would have been the actual experience of the Safety Fund Act had it included from the beginning the features which, on the suggestion of experience, were adopted by amendment.

In actual practice the Safety Fund was depleted by drafts not consistent with proper legislation; and which were actually stopped by amendment of the law—too late, however, to prevent serious results:

First.—As to obligations of banks accrued before April, 1842, the Safety Fund was used to pay depositors and other creditors, as well as to redeem outstanding circulation; and \$1,088,000 was thus used to pay debts other than circulation.

Second.—Prior to 1843 there was no registry of notes or safeguards against over-issues. As a consequence there were redeemed from the Safety Fund \$252,647 of notes in excess of legal issues, and a much larger amount in excess of reported issues.

Third.—On account of these illegitimate drafts the Safety Fund had to be made good by loans, the interest on which before they were repaid from the proceeds of the annual $\frac{1}{2}\%$ assessments on bank capital was \$500,000.

Eliminating these alone, the following is a statement of what the results of the experience with the Safety Fund system would have been had the legislation before the failures of 1840-42 taken the form of the act as perfected by subsequent legislation

Aggregate demands upon the fund: Circulation, \$1,615,000, less \$255,000 over-issues (which would then have been impossible), or \$1,360,000. This demand, however, would not all have accrued at once. \$413,000 was on account of banks failing

prior to January 1, 1841; \$1,100,000 on account of banks failing prior to January 1, 1842; and \$1,360,000 for banks failing prior to January 1, 1843. Annual contributions being resumed as soon as the fund was in any way depleted, in January, 1841, it would have amounted to \$1,076,000; \$1,238,000 January 1, 1842, and \$1,400,000 January 1, 1843. The Comptroller, being hampered by no necessity for reserving a part of the fund to pay general creditors, would have been free to redeem the outstanding notes of each bank immediately upon the granting of the injunction against it. There would, therefore, have been no cause for depreciation of the bills of any of these banks; but all would have been promptly redeemed at par. And after all note-holders were paid there would still have been a small surplus, which the regular one-half per cent. contributions of the banks would soon have raised to the required three per cent. Not only, therefore, would the fund have been adequate to meet, as it was presented, the circulation of the banks that failed in 1840-42, but would have afforded ample security for the circulation of the remaining banks until the expiration of their charters, redeeming at once and in full the notes of the four banks which failed in 1854 and 1857, and still leaving a surplus to be returned to the contributing banks upon the expiration of their charters.

In this summary nothing is said of the first lien given the notes of an insolvent bank by the constitution of 1846, which alone would have reduced the charge upon the Bank Fund by more than \$800,000.

Nor has the effect of the individual liability of bank stockholders, under the Constitution, accruing after 1850, been taken into account.

And a most important factor is still to be noted. The natural effect of a system can be seen only when it is allowed its natural development. Had not the "Free Banking" system been adopted in 1838, the Safety Fund assessments would have been based on a constantly widening basis. As it was, they were paid on a constantly diminishing capital, as the charters of the Safety Fund banks expired.

Taking these considerations into account, it is plain, as the result of calculation from experience of 36 years (1829-1865), that, had the Safety Fund system—as perfected prior to and in the constitution of 1846—been left untouched as that upon which New York State bank currency was based, not merely would every dollar of circulation have been kept good, but the total assessment to keep the fund good would have averaged less than $\frac{1}{4}\%$ on the banking capital, or about $\frac{3}{8}\%$ on the average circulation outstanding.

Why the Safety Fund System was Superseded.

The system of granting special charters had given rise to such abuses, both in the distribution of the stock of the safety fund banks and in their subsequent management by bank commissioners, whose appointment was within the field of political spoils, that the whole system was abandoned and in 1838, a general banking law enacted, under which individuals or associations with requisite capital might engage in the business of banking by depositing with the Comptroller certain specified securities upon which circulating notes were issued. After the passage of this general law no new special charters were granted, though two of the older chartered banks after this entered the safety fund system with extended charters.

The safety fund system was thus *the* banking system of the State during the years 1829-38—all the charters granted in this period being under it; while from 1838 until 1866, when the last charters expired, it was an organized, working system, existing alongside the banks incorporated under the general law. It is a fact perhaps worthy of notice that this abandonment of the system took place before any real failure had occurred to try its strength, and was not due to any failure of the safety fund to afford the requisite security to the bill-holder. On the contrary, upon each of the occasions when its assistance had been invoked—involving the redemption of the notes of five different institutions—it had met every requirement; all advances on account of the suspensions had either been entirely restored or were fast being repaid; and not a dollar had been finally lost on any bank note issued under the system during the nine years it had then been in force.

BOND DEPOSIT SYSTEM—"FREE BANKING."

For years prior to 1838 the political situation in New York had been such as to tempt criticism of Safety Fund banking as something for which the Federalists were responsible, and now the Democrats, after having made the question an issue for several campaigns, found themselves in a position to put into legislation the counter theories they had advocated. The Free Banking Act of 1838 was the result; to the perfection of which was devoted such of financial experience and tact as could then be utilized in behalf of a special security system.

The Safety Fund law had been a comparatively novel application to banking of principles long familiar in the conduct of other business; the Free Banking Act was the development of the rival principle of special security, which had maintained from time immemorial in the banking business as well. Had the Safety

Fund not been pre-empted by their political opponents there was no reason why the free banking advocates should not have adapted it to their plans. As it was, however, their criticism had been too universal to make it easy for them to adopt any part of the system they had denounced. As a result, the Free Banking Act was carefully drawn, not merely to do away with the "monopoly" which had been denounced as an incident of the Safety Fund system, but to exploit as far as possible the theories opposed to those upon which it was based; and, since the Safety Fund system still continued in operation, a most instructive experience, under similar conditions, of contrasting systems was the result.

LEGISLATION.

1838. The Free Banking Act, based upon a bill drawn by Abijah Mann, bears date of April 18, 1838. Under it individuals or associations were authorized to engage in the business of banking, and to receive from the Comptroller circulating notes in blank, duly registered and countersigned, upon depositing with him the stocks of the United States, of the State of New York, or of any other State approved by the Comptroller, made equal to a five per cent. stock of the State of New York, or bonds and mortgages on improved, productive, and unincumbered real estate, worth double the amount secured by the mortgage, and bearing interest at not less than six per cent. per annum. The banks might deposit stocks only, in which case the notes were printed in a manner to indicate that they were so secured; or they might deposit half stocks and half bonds and mortgages, when that fact was likewise shown by the notes.

By this general act each association desiring to operate under its provisions was authorized to fix its own corporate name; determine the amount of its capital, and the period of its corporate existence; designate the place where its banking operations shall be carried on, and to provide by its articles of association for an increase of its capital, should it be so desired.

Associations were required to have a paid up capital of \$100,000. Individuals, being subject to unlimited liability in any event, were not required to show evidence of any special amount of paid up capital; and neither associations nor individual bankers were required to deposit any specified amount of securities.

In case of failure or refusal on the part of the association or individual issuing notes to redeem them on demand at the place where they were made payable, after ten days' public notice of protest for nonpayment, the Comptroller was authorized to apply the trust funds deposited for their security to the payment and redemption of the notes. The State, however, was liable for nothing beyond the proper application of the securities pledged.

Detailed semi-annual reports were required to be made.

The act of 1838 also provided for a specie reserve of not less than $12\frac{1}{2}$ per cent. to be kept by each association, against its circulating notes.

1840. By the act of May 14, 1840, all banks, banking associations, or individual bankers, except those located in New York, Brooklyn or Albany, were required to arrange for the appointment of agents in the city of New York or Albany for the redemption of their notes at a discount not exceeding one-half of one per cent.

A wave of repudiation, or semi-repudiation, of State indebtedness having begun in 1839, as a result of which attention was drawn to the uncertainty and undesirability of stocks of other States as security for notes issued under the General Banking act, the Legislature, by the act of May 14, 1840, excluded from future deposits all stocks except those issued by the State of New York. This, however, did not require the stocks of other States already on deposit to be replaced by New York State stocks.

This same act provided that no association should commence the business of banking until it had deposited with the Comptroller the securities required by law to the amount of \$100,000, and effectually cut off the issue of post notes—a practice which was becoming quite prevalent—by an express inhibition against any banking association or individual banker issuing any bill or note "unless the same shall be made payable on demand and without interest."

The $12\frac{1}{2}$ per cent. specie reserve requirement was repealed by this act.

1841. The provisions of the original act in regard to the application of "the said trust funds belonging to the makers of such protested notes to the payment and redemption of such notes" having been held to authorize payment in full of the holders of protested notes at the expense of the holders of the remainder of the circulation, the act of March 15, 1841, was passed, providing for the "payment *pro rata*, of all such circulating notes, whether protested or not."

By the act of May 26, 1841, annual reports to the bank commissioners were substituted for the semi-annual reports to the Comptroller theretofore required. Provision was also made that any bank having redeemed 90 per cent. of its circulation, after two years' published notice, should receive from the Comptroller any securities he may hold for the payment of its unredeemed notes.

1843. The "act to abolish the office of Bank Commissioner," April 18, 1843, substituted for annual reports detailed quarterly reports to the Comptroller.

1844. To guard more carefully the business of individual bankers it was provided by the act of May 6, 1844, that no individual banker shall receive circulating notes until he shall have deposited with the Comptroller the securities required by law to the amount of \$50,000; that every such banker shall state in his reports what persons, if any, are interested with him; and shall file with the Comptroller "a certificate, stating the town, city, or village, in which he resides; and thereafter it shall not be lawful for such individual banker to transact business under said act in any other place than in which he resides."

1846. The new State Constitution required that provision should be made by law for all notes circulating as money, and for ample security for their redemption in specie; also that shareholders of note-issuing banks should be individually responsible to the amount of their respective shares for debts contracted after January 1, 1850; also that in case of insolvency bill holders should be entitled to preference in payment over all other creditors of the bank, etc.

1847. By the act of December 4th, 1847, the method of calling for quarterly reports was so changed as to require them to be made out after the first of each quarter for some day during the preceding quarter, then designated by the Comptroller.

1848. By the act of April 12, 1848, it was required that "all banking associations or individual bankers," organized under the general banking law, "shall be banks of discount and deposit as well as of circulation, and the usual business of banking shall be transacted at the place where such banking associations or individual bankers shall be located," as designated in certificate, "and not elsewhere;" and in each report it is required to be stated that "the business of said association or banker has been transacted at such location."

This same act required that New York stocks thereafter deposited should be, or be made equal to, six per cent. stock, instead of 5 per cent. as theretofore. The basis of mortgages was at the same time raised to seven per cent., in amount not exceeding two-fifths the value of the lands exclusive of buildings, and no mortgage to be for a greater amount than \$5,000.

1849. The Legislature in 1849 (April 5) passed a comprehensive act providing for the enforcement of the double liability of stockholders of banks and banking associations subsequent to Jan. 1, 1850, in accordance with the Constitution of 1846.

By the act of April 10th, 1849, United States 6 per cent. stock were admitted for deposit on equal terms with New York stocks, except that at least one-half of the stocks deposited must still be New York State stocks.

1850. By the act of April 10, 1850, the method of final distribution of funds arising from sale of securities deposited by associations or individual bankers which shall have failed, was more definitely prescribed. After the expiration of six years after sale of the securities, the balance of the fund remaining after six weeks' published notice, was to be put to the credit of outstanding certificates if the notes previously redeemed had not been redeemed at par; otherwise, turned over to the association by which they had been deposited.

1851. By the act of April 12, 1851, "To organize a Bank Department," the appointment of a Superintendent of Banking was authorized, to whom all reports were thereafter made.

By the act of April 15, 1851, the city of Troy was added to the redemption cities, and the maximum discount at redemption agencies reduced to one-fourth of one per cent.

1863. By the act of April 29, 1863, bonds and mortgages were finally discarded as a basis for circulation, and securities for deposit restricted solely to stocks of the State of New York and of the United States, not more than two-thirds of which might be United States stock.

EXPERIENCE.

By January 1, 1839, 48 persons or associations had filed the requisite certificates in the office of the Secretary of State. The amount of capital subscribed by them was \$10,838,175, the total amount of stocks transferred as security for circulating notes by the 16 associations which had commenced operations was \$1,170,090, and the total amount of mortgages transferred was \$422,910; about \$75,000 were rejected as unsatisfactory. The amount of circulation actually issued at that time, however, was but \$396,300. By December 1, 1839, the number of associations had increased to 133, of which 76, with a total capital of \$21,000,000, and circulation of about \$6,000,000, were in full operation.

Already, however, it was evident that all would not be smooth sailing. The Comptroller, in his report for 1840, called attention to the fact that a sort of banking mania seemed to prevail, at the extent and possible results of which the community was becoming alarmed. One bank had already been wound up during the year, fortunately without loss to the bill holders; and similar results in the case of two others were in prospect. The Comptroller, realizing that if in these early cases of failure the securities proved adequate to meet the circulation, additional confidence in the circulation would result, made every effort to secure that end.

Before the first of January, 1841, eight banking associations had ceased to do business. Four of these,* discontinued without loss to the holders of their circulating notes. The securities of one other—the Tenth Ward Bank—were sold and produced sufficient to pay 94 cents on the dollar. In the case of the bank of Tonawanda the depreciation in the value of the securities was such that the dividend on the notes was but 68 per cent. Each of the other banks—The Farmers' Bank of Seneca County and The Millers' Bank (Clyde)—had two classes of bills in circulation; those issued on the security of State stocks alone, and those based on State stocks and mortgages. In the case of each bank the proceeds of the securities were sufficient to redeem in full the notes issued upon the pledge of State stocks alone; but of those secured by stocks and real estate, the notes of the Farmers' Bank were redeemed at 74 per cent. and those of the Millers' Bank at 94 per cent.

This, however, was only a beginning of the failures. Eighteen more followed in the course of the next year. Those notes secured by deposit of State stocks were redeemed at an average discount of 20 per cent., and those secured by stock and real estate at a discount of about 25 per cent.

In 1844, the Comptroller reported that, up to that date, 93 free banks had deposited securities and received and issued circulation. Of these, eight had voluntarily closed business and retired their circulation. Twenty-six had failed, and their circulation, amounting to in the aggregate to \$1,197,547, was taken up by the Comptroller at an average of 76 cents on the dollar. The remaining 59 associations and individuals had on deposit with the Comptroller, New York State stocks amounting to \$1,774,434; stock, \$52,000; cash, \$17,731; stocks of Mich., Ind., U. S., Ill. Ark., Ala., Ky., and Me., of the nominal value of \$3,744,829, but then valued by the Comptroller at \$2,745,156.†

By 1848 the number of free banks was fifty-three, and of individual bankers fifty-one, with an aggregate circulation of \$9,993,762 against securities amounting to \$10,640,182. Of these securities, \$7,627,092 were New York State stocks, \$114,000 United States stocks, \$1,514,979 bonds and mortgages, and the remainder, except \$49,906 cash, consisted of stocks of Illinois, Arkansas, Indiana, Alabama and Michigan. In 1848 the Legislature, admonished by the insufficiency of the security in the case of earlier failures, made a change in the law, requiring that thereafter only New York stocks, made equal to six per cent., and bonds and mortgages bearing seven per cent. interest on real estate to the extent of two-fifths of the value of improved real estate, exclusive of the buildings thereon, could be received as security for circulation.

Millard Fillmore, Comptroller, in his report dated December 30, 1848, made just after his election as Vice-President of the United States, states that the average amount for which bonds and mortgages held as security for circulation had sold during the previous ten years was 67.71 per cent., while five per cent. New York State stock had sold at an average of 92.86 per cent. He recommended legislation providing for the gradual withdrawal of the bond and mortgage security and the substitution of New York State stocks.‡

In his report for 1844 the Comptroller called attention to the fact that "during the past year a number of applications have been made for the establishment of individual banks at points remote from the general channels of business, and where no necessity seemed to exist for banking facilities. Many of these individual banks have originated in the City of New York, and some in Albany. * * * The redemption at a discount of one-half of one per cent. allowed by law is probably one of the principal inducements for establishing banks of this description. The notes are signed and circulated in the City of New York, and by fixing the place of redemption at some inaccessible point, the holder is compelled to go to the office where the note was really issued in Wall Street, and pay half of one per cent. for its redemption. If all the banks in the State were required to redeem their notes at par in the City of New York, the motive for multiplying these shaving shops would probably be removed."

Considerable importance attaches to the practice which had thus developed of establishing banks for circulation purposes only, which did no real banking business. In a report made by a Senate Committee in 1845 the names of eight such associations are given, whose combined capital amounted to \$377,000; loans and discounts, \$37,920; and circulation, \$545,000. "It really could never have been the intent of the Legislature," continues the report, "to authorize the creation of such banks as

* The Willoughby Bank (Brooklyn); The Farmers' Bank of Penn Yan; The N. Y. City Trust and Banking Co., and The Chelsea Bank.

† Finding the small banks unsafe, the Legislature in 1844 required individual bankers to deposit securities to the amount of at least \$50,000; and associations to the amount of \$100,000, before they were entitled to any notes for circulation.

‡ The Superintendent of Banks, in his report for 1854, says upon the same subject: "It is believed that all the bonds and mortgages that have been sold under the provisions of the free banking law, since the passage of the Act of 1838, have not produced over 75 per cent., in cash, on their par value."

"The experience of sixteen years has, therefore, demonstrated the fact that bonds and mortgages do not prove to be a certain and ample security to bill holders, and it cannot be supposed that bonds and mortgages can be negotiated or converted into cash, on short notice, by the superintendent at their par value."

these; and if they now have legal existence, it can scarcely be deemed sound policy to permit their continuance, or to sanction the establishment of others of like character."

The legislation of 1848, providing that "all banking associations and individual bankers shall be banks of discount and deposit, as well as of circulation," was an attempt to do away with these "circulation" banks: It seems, however, to have been ineffectual.*

Following is a tabular statement of data as to failed banks under Free Banking system.

Banks.	Failed.	Circulation Outstanding.	Rate.	Loss.	Banks.	Failed.	Circulation Outstanding.	Rate.	Loss.
Tenth Ward Bank...	1840	\$11,303 a	94	678	Bank of Brockport..	1844	25,000 b	80	5,000
Bank of Tonawanda.	1840	15,485 a	68	4,955	Hamilton Bank...	1844	8,245 b	Par	.....
Miller's Bk. of Clyde	1840	137,380 b	94	8,243	F'm'rs' & D'vers' Bk.	1846	5,971 a	Par	.....
Farmers' Bank of		45,090 a	Par	.....	Atlas Bank, Clymer.	1848	129,998 b	75	32,500
Seneca County....	1840	27,343 b	74	7,109	Walter Joy's Bank.	1850	48,202 a	97	1,446
City Trust & Bkg. Co.	1840	22,234 a	Par	.....			50,700	Par	.....
Chelsea Bank	1840	1,200 a	Par	.....			\$1,468,245		\$325,487
Allegany Co. Bank..	1841	695a*	25	520					
		23,316 b	50	11,673	James Bank.....	1851	76,743	91	6,908
Bk. America, Buffalo	1841	3,051 a	36	1,956	Bank of N. Rochelle	1851	85,113 }	81 b	15,200
Bk. Commerce, Buff.	1841	69,920 b	76	16,541				Par a	.....
Bank of Lodi.....	1841	6,980 a	78	1,535	F'm'ers' Bk. On'ndaga	1852	81,000	85	12,150
		65,025 a	76	15,606	Mer. & Mec. Bk., Os.	1853	88,000	77	20,240
Bank of Olean.....	1841	31,766 b	97	953	Eighth Ave. Bank...	1854	100,000	94	6,000
		8,846 a	83	1,504	Bank of Carthage....	1854	53,643	Par	.....
Bank of Western N. Y...	1841	50,124 b	74	13,052	Empire Cy. Bk. N.Y.	1854	110,464	Par	.....
		3,224 a	87	419	Exchange Bk., Buff.	1854	17,235	Par	.....
Binghamton Bank...	1841	74,393 a	75	18,600	S. Bk. Sacket's Har..	1856	48,462	Par	.....
		16,325 b	74	4,244	Island City Bank....	1857	99,528	Par	.....
Cattaraugus Co. Bk.	1841	8,960 a	79	1,881	Hamilton Exc. Bk..	1857	43,016	84	6,882
		53,019 b	77	11,194	Ontario County Bk..	1857	49,063	Par	.....
		6,181 a	85	927	Pratt Bank of Buff..	1857	31,000	94	1,860
Erie County Bank...	1841	37,413 b	60	14,964	Cheimung Co. Bank..	1857	58,167	Par	.....
Mechanics' Bk., Buff.	1841	19,720 a	72	5,521	Pine Plains Bank...	1857	66,956	Par	.....
Merchants' Exc. Bk.	1841	94,396 b	63	34,926	Dairyman's Bank....	1857	91,470	Par	.....
		66,235 b	65	23,182	Agric. Bk. Herkimer	1857	80,528	Par	.....
Phoenix Bank, Buff.	1841	47,760 a	81	9,074	Lake Mahopac Bk..	1859	40,400	Par	.....
Staten Island Bank..	1841	27,490 b	73	7,422	Cataract Bank.....	1861	51,556	93	3,609
		19,702 b	56	8,669	Bank of Albany....	1861	65,673	Par	.....
St. Lawrence Bank..	1841	40,475 b	50	20,237	Bank of the Capitol..	1861	73,449	Par	.....
		19,499 a	32	12,959	J.W. Rumsey & Co. Bk	1861	31,150	Par	.....
Union Bank, Buffalo.	1841	46,150 a	81	8,768	Nat. Bank of Albany	1861	64,150	Par	.....
U. S. Bank, Buffalo..	1841	41,627 b	77	9,574	Medina Bank	1861	100,168	Par	.....
Washington Bk. Buff.	1841	19,235 b	Par	.....	Brockport Exc. Bk..	1861	41,516	Par	.....
New York Bkg. Co..	1842	11,240 a	42	6,519			\$1,648,000		\$72,849
State Bk. N.Y., Buff.	1842	2,890 a	30	2,023					
F'm'rs' Bk. of Orleans	1843	24,825 b	Par	.....				
Clinton Bank.....	1844	2,582 a	60	1,132					

* This case is one of deterioration, during years of delay, in securities left to redeem a remnant of circulation, the bank having itself redeemed at par all of its circulation that it could reach, and the greater part of the \$695 noted, never being in fact presented for payment.

a. Secured by pledge of stocks alone.

b. Secured by pledge of stocks and bonds and mortgages.

DEFECTS AND REMEDIES.

Ten years' experience under the safety fund system made it possible to avoid from the very origin of the free banking system numerous mistakes which might otherwise have been involved. But even with this advantage the novel conditions resulting from the new legislation developed peculiar defects.

First.—It was found that the acceptance of public stocks other than those of New York, tended to create a market in New York, to serve as a basis for bank circulation, for stocks which were otherwise comparatively unsalable. As a consequence, when by the failure of banks depositing them, State officials attempted to realize upon them, the result was disastrous, and note holders suffered heavy losses.

*It is believed that this provision of the law is in many cases entirely evaded. The quarterly reports received show that they are not banks of discount and deposit, having neither; or if they have, it is a mere nominal sum incorporated into their reports to comply with the form and not the spirit of the law.

They are mere banks of circulation, and are established for that purpose alone. The business of circulating their notes is done exclusively through agents and brokers in commercial cities distant from the location of the bank. In many instances, it is believed, the banker does not even sign the notes issued from this department and put in circulation, but gives that power to an agent. * * * In this manner are evaded the provisions of the law of 1848, which makes it obligatory for banks and bankers to transact their usual business at the places where they are located.

These banks afford no facilities to the business portion of the community, and in a time of pressure or embarrassment in the money market, not unfrequently allow their notes to be discredited, thereby creating a panic and subjecting the bill holders to losses.—*Report of Comptroller, 1851.*

The following is a summary of the results of the sales of securities prior to Jan. 1, 1849 :

\$449,000 Indiana stock sold for	\$220,381.25, or 49.08 per cent.
239,000 Illinois stock sold for.....	117,423.25, " 49.13 "
176,000 Arkansas stock sold for.....	103,445.00, " 58.77 "
66,000 Michigan stock sold for.....	48,147.50, " 72.95 "
79,000 Alabama stock sold for.....	56,142.50, " 71.00 "
257,555 New York stock sold for.....	239,143.64, " 92.86 "
472,988 Bonds and Mortgages sold for.....	320,261.00, " 67.71 "
<hr/> \$1,739,543.	<hr/> Total..... \$1,104,944.14, " 63.51 "

Second.—A similar result attended the use of bonds with mortgage collateral as a basis for currency. On sudden forced sale, no matter how good the security, they were frequently sacrificed at less than their face. Again, it was found that ordinary precautions were not sufficient to insure a proper margin in steady value of real estate collateral above the bond to secure which it was mortgaged.

Third.—The business of currency issue being thus encouraged without reference to its connection with discount or other financial business, an incentive was offered to sanguine and visionary individuals to exploit their credit—with results scarcely less disastrous to themselves than to the community whose business they helped demoralize.

Fourth.—The law encouraged petty banking under more or less amateur management, with the resulting certainty of frequent petty failures however sound might be general conditions.

Fifth.—No adequate distinction was made between security and availability. The result was that any serious strain must force upon the market a large amount of securities, the sale of which below their par or valuation by the State officials was as inevitable as was the consequent result of somewhat of loss to noteholders.

Sixth.—There was a tendency to rigidity of circulation. Though the securities accepted by the bank department were in general procurable at such rates as did not involve either large premiums or peculiarly low interest, yet any prompt response to legitimate demands for more currency was none the less obstructed. Experience elsewhere has shown that a 20 to 25 per cent. increase in the wants of a community at one season of the year above those of another is not unusual or abnormal. For the banks to create a new investment demand for securities equal to one-fourth or one-fifth of their circulation would be as sure to involve somewhat of a rise in price as would the throwing of an equal amount of securities upon the market, when the currency was no longer needed, bring about a substantial depreciation. To make the process pay, interest upon the additional currency thus secured for the short time involved, must be sufficient, not merely to provide compensatory interest, but to make up for the loss thus involved. In practice this was prohibitory, and increase of currency was ordinarily limited to such as might be obtained by the deposit of whatever securities a bank might happen to have; while the possession of securities involved a tendency to keep them on deposit at the Bank Department, and to take out the full amount of currency even during the season when there was little demand for it. The actual result was the natural one—a practical rigidity of free bank circulation—not, however, so great as has of late been the case under the National banking system, which the sacrifice involved in government bond investments, and the effect of Federal legislation intentionally prescribing rigidity, has left a petrification.

Seventh.—There was an absolute lack of mutual support among the banks of the system. As a result, however it might be perfected without remedying this defect, from time to time, in individual cases, noteholders would suffer petty losses. Experience showed that this was the case, and the uncertainty thus kept alive as to the safety of well secured notes, was much more serious than the actual loss suffered.

REMEDIES.

The *first* defect noted was corrected by the act of 1840, to which reference has already been made, restricting the state stocks admitted on deposit to those of the State of New York alone (even United States stocks not being accepted until 1849), and the earlier basis—a 5 per cent. stock at par—having proved too high a rating, the act of 1848 raised the basis to 6 per cent. As to *second*, it was not until 1863 that the Legislature went so far as to discard mortgages altogether as a basis for circulation; but the terms upon which they might be accepted were earlier made so strict as effectually to discourage their deposit. The *third* and *fourth* of the defects noted were to a certain extent corrected by the legislation of 1840 and 1844, requiring associations to deposit at least \$100,000, and individual bankers at least \$50,000, in approved securities before they could receive blank circulating notes.

As to the *fifth*, *sixth*, and *seventh* of the points noted above no reform was ever had. As to the margin of availability, a mere limitation of notes to be issued to say 90 or some other per cent. less than par or official valuation would be perfectly easy, and if carried to the proper extent would meet the difficulty.

As to the comparative rigidity of the circulation, this is a defect involved in

the system itself, and, with all its faults, is not without somewhat of compensation—though it seems generally agreed that the balance of considerations is against rigidity.

As to the *seventh* defect noted, the mutual support desirable to perfect in this regard the free banking system, would have been so much less than that necessary in the Safety Fund system (where such mutual support was the main security offered) that it could have been, and probably would have been, provided in some one of numerous practicable ways, which would not have been complicated in administration or burdensome to the banks.

RESULTS.

In the case of free banking, as earlier in the Safety Fund experience, legislation, to remedy such defects as were disclosed by experience, was on the whole prompt and effective, as noted at pages 300 and 301.

It was during the first twelve years that were suffered most of the disasters which were afterwards made impossible. Abstracting as to banks which failed before 1850 the results shown at page 303, it is found that for twelve years, with an average circulation of \$6,000,000, the actual loss to noteholders was for the whole period \$326,000, or \$27,200 per year—less than half of one per cent. on the average circulation. For the latter period, 1851–65, the total failures resulted in an average loss of \$4,800 per annum upon an average circulation of \$22,000,000 outstanding; while the experience of the last few years seems to indicate that, with the exception of rare petty losses of a small part of the circulation of individual banks, there were no other against which to perfect the security of the system it was necessary to provide.

In its experimental days the Free Banking system had made but a poor showing in comparison with its Safety Fund rival *; but after it had been perfected in the light of experiment, it was so nearly a secure system as to have been accepted with universal approval as the model upon which National banking should be planned.

SAFETY FUND vs. BOND DEPOSIT.

(a) AS TO SECURITY.

A comparison of the two systems so thoroughly tested in New York State seems to leave little room for preference between them on the mere matter of security. From its very nature, being, as it were, a Lloyds Insurance system, the Safety Fund plan avoided from the first the one defect in this regard which in the case of the Free Banking system remained uncorrected to the end—that of unsupported responsibility of individual petty institutions and of separate petty funds. The losses on this account had, however, proved so petty in the latter years of the Free Banking system, and so easy and certain would have been a remedy had the matter ever become a serious one, that it is hardly fair to consider it as a make-weight in the comparison. It may, therefore, be assumed that, in its perfected shape, each, the Safety Fund and the Bond Deposit system of New York, was satisfactory as regards the security of the circulation.

(b) AS TO COST.

In this regard the essential comparison is between the net expense and trouble to banks, connected with similar amounts of circulation under the respective systems. Eliminating features common to both, this comes down to a comparison of the average rate of the insurance assessment required by the safety fund system and the average loss by the investment requirements of the bond deposit plan. So long as the required safety fund assessment was above one-half per cent. annually, and the bond deposits permitted to be made in a large range of investment securities, the bond deposit plan was undoubtedly at least as economical as the other. But in the face of experience showing that the safety fund plan as perfected would have required less than $\frac{2}{3}$ per cent. annual insurance assessment upon circulation—while it had proved necessary, in order to make the bond deposit system safe, to limit the securities deposited to a few of gilt edged classes—the comparison steadily turns in favor of superior economy of the safety fund system.

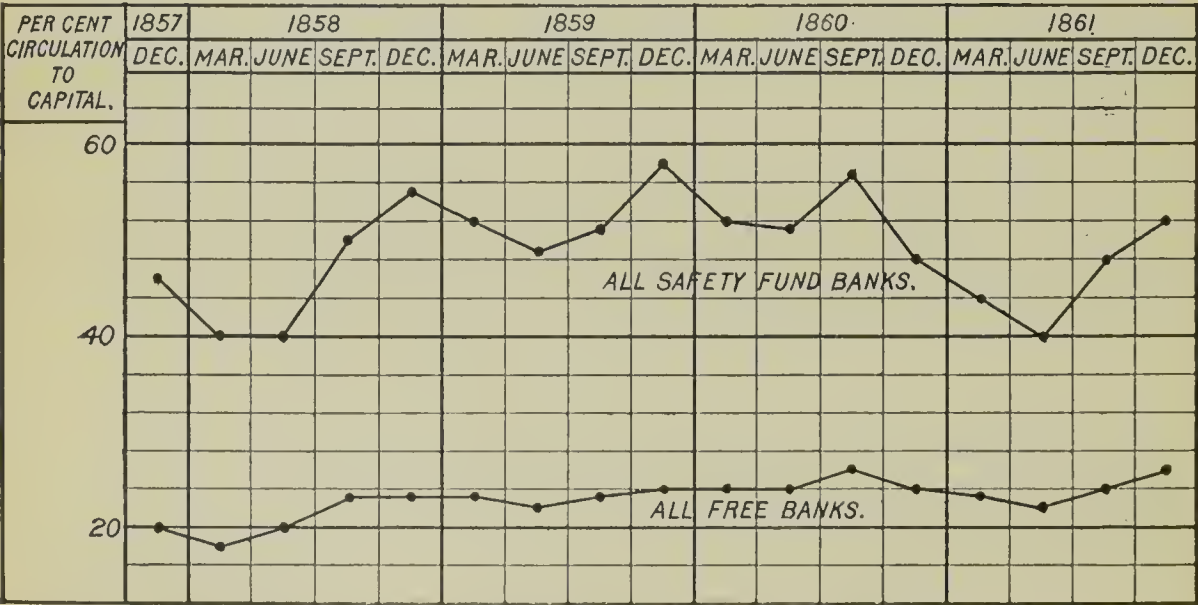
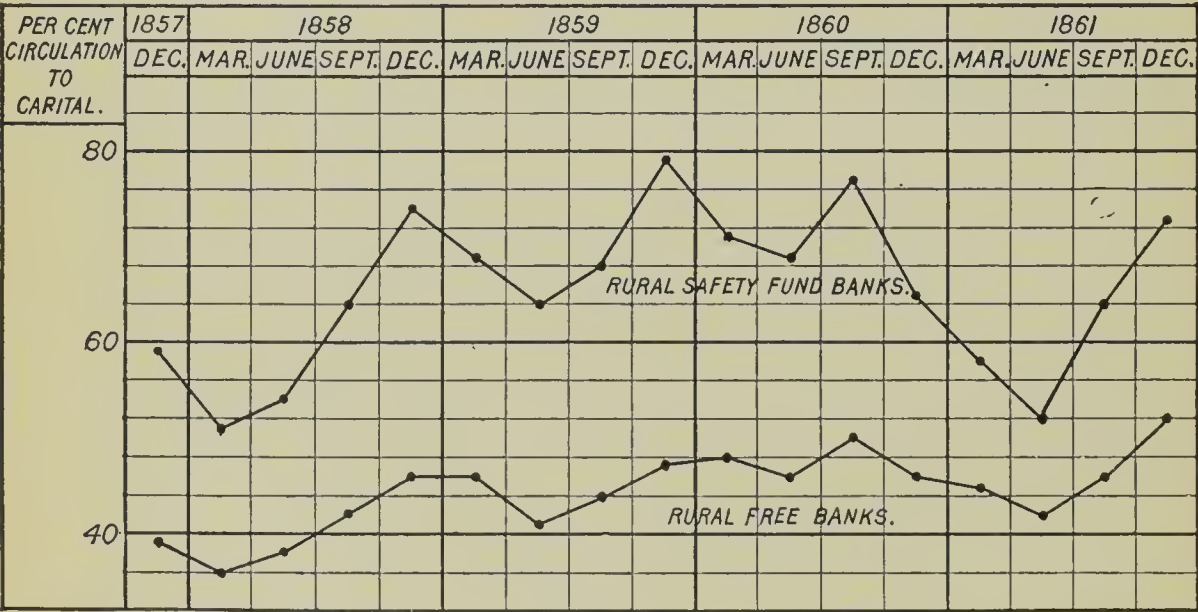
(c) AS TO ELASTICITY.

As compared with (b), which includes expense directly paid by the banker, this head involves the opportunities offered him to serve the public. For, whatever

* In the security of the public under each system, our experience in the failure of ten Safety Fund banks, and about three times that number of free banks, proves that the contributions of half of one per cent. annually on the capital of the Safety Fund Banks, has thus far afforded as much protection, as the deposit with the Comptroller, by the free banks, of a sum nominally equal to all the bills issued to them. It will be seen, by reference to a statement under the head of insolvent free banks, that the loss to bill holders, on the supposition that all the securities had been stocks of this State and bonds and mortgages, would have been over 16 per cent., while the actual loss has been nearly 39 per cent.—*Comptroller A. C. Flagg, 1846.*

may be speculative rates of interest caused by plethora or stringency of currency, the legitimate borrower is mainly interested in the rate at which during the seasons when he most needs advances he can secure them ; and this depends almost entirely upon the relative ease or difficulty with which an increase of currency can be had to meet temporary business demands.

Elasticity is the essential feature of a safety fund as compared with a bond deposit system. The limitations upon elasticity — obstructions to temporary increase of circulation — are noted at page 304 above. It only remains here to compare the actual results of these two systems co-existing in the same State, under similar circumstances, during the years when both were in successful operation. The two diagrams which follow are their own best explanation, and the character of the exhibit is so marked that comment is superfluous.



STATUS WHEN SUPPRESSED BY FEDERAL LEGISLATION.

Such had been the career of New York State bank currency, which was arbitrarily closed by the act of 1863, providing for national banks and their currency, and by later acts, including that of 1865, by which State bank notes were driven by a ten per cent. tax from the rivalry they still maintained. The experience had been most instructive, and its results most satisfactory—creditable alike to the business habits and legislative aptitude of the State.

Under the old charters securing a monopoly of banking in a comparatively few large institutions, during the first quarter century—1791-1815—no noteholder had lost a dollar. Even during the next fourteen years of indiscriminate banking—1815-1829—the loss to noteholders had averaged less than 1½ per cent., and probably less than 1 per cent. of the circulation.

The Safety Fund act then ran twelve years—1829-1841—before a single noteholder suffered—though the panic of 1837 had meanwhile swept the country, and with the amendments to the Safety Fund act that were promptly made as their

necessity was developed, not merely were the actual losses to the noteholders *less than one-eighth of one per cent.* per annum upon the circulation for the full period 1829-1866, but they were such in character as to show that, had the amendments subsequently adopted been originally incorporated in the law, and the system left undisturbed to serve the whole State, not only would the noteholders never have lost a dollar, but the annual assessment necessary to secure this would have averaged less than one-fourth of one per cent. upon the capital, or three-eighths per cent. upon circulation.

The Free Banking system, adopted in 1838 as a political, rather than a financial reform, had in its turn learned by its mistakes until, with a loss for the whole period averaging *less than one-tenth of one per cent.* a year on its circulation, there had not been a failure since 1861 in which the notes were not at once redeemed in full ; while the success of the system had made it the model upon which Secretary Chase planned the National Banking system.

It is, of course, not intended to suggest that noteholders had not been subjected to many charges other than those above calculated. These charges, however, were the faults of the imperfect commerce of the time, were not chargeable to any system of banking, and were cured as commercial facilities developed. For example, before the arrangements by which all notes were issued in blank and registered by a State official, the loss to the community by counterfeits was large, though not entering into the reports of or concerning banks. Again, during the early part of the century communication was so imperfect, and commercial organization so lacking, that for these reasons alone exchange often commanded high rates—until, arrangements having been made for redemption agencies at New York, Albany and afterwards Troy, this factor became unimportant, and—the banks voluntarily bettering the provisions of the law—soon practically disappeared.*

Nor is it intimated here that either system was perfect. As already noted, the safety fund assessments on capital should have been transferred to circulation—and doubtless would have been, except that for its last twenty-five years the safety fund system was a survival, albeit a vigorous one, and already superseded by “Free Banking.” On the other hand the comparative rigidity of the free banking circulation was so supplemented by the perfect elasticity of the safety fund system, until both were alike pushed aside by the national banking acts, that its inconvenience was not felt. Though the free banking system had had ten years of safety fund experience to guide it, its own earlier years were those of greater disaster than that

* The apprehension, that a redemption at par in New York would send back the notes upon the bank, and leave their place to be filled by a less valuable currency ; or, that the banks thus redeeming at par would be restricted in their circulation and curtailed in their profits, is not borne out by the experience of those banks which have for a long time kept their notes at par in the city of New York.

In the following table, five banks have been selected, which keep their notes at par in New York and five with corresponding capitals, which redeem under the law at half of one per cent. The comparison extends to four quarters, and the aggregate circulation for the year for the five banks which redeem at par is..... \$3,329,975
While the circulation of the other five is..... 3,232,218
Excess in favor of par redemptions..... \$97,757
The details are given below :

	Capital.	Registered Circulation.				Total Circulation of the 4 quarters.
		Feb. 1, '45	May 1.	Aug. 1.	Nov. 1.	
REDEEM AT PAR:						
Farmers' & Manufactnrers' Bank.....	\$300,000	\$207,013	\$238,954	\$186,516	\$234,228	\$866,711
Highland Bank.....	200,000	190,229	189,923	173,121	189,528	744,801
Westchester County Bank.....	200,000	177,171	170,411	127,852	180,586	656,020
Hudson River Bank.....	150,000	131,322	129,293	126,029	180,586	532,511
Bank of Poughkeepsie.....	100,000	126,141	141,887	119,132	142,132	529,932
						\$3,329,975
REDEEM at ½% DISCOUNT.						
Bank of Monroe.....	\$300,000	\$146,208	\$141,261	\$181,122	\$240,971	\$709,562
Herkimer County Bank.....	200,000	189,678	161,389	120,578	188,581	660,226
Jefferson County Bank.....	200,000	183,261	177,870	153,092	187,552	701,775
Steuben County Bank.....	150,000	151,445	167,874	154,147	161,024	634,490
Livingston County Bank.....	100,000	127,365	134,051	130,611	134,138	526,165
						\$3,232,218

The following comparison between the Farmers' Bank of Troy, which redeems its notes at par in the city of New York, and the other incorporated banks of the same place, the notes of which are at a discount, shows a more striking result than the above. The comparison is made for the same period of time:

	Capital.	Circulation.				Total.
		Feb. 1.	May 1.	Aug. 1.	Nov. 1.	
Farmers' Bank	\$278,000	\$160,761	\$180,920	\$152,975	\$196,981	\$691,637
Bank of Troy.....	440,000	121,861	130,948	98,047	120,040	470,896
Merchants' and Mechanics' Bank	300,000	84,003	101,777	91,174	187,745	464,699
Troy City Bank.....	300,000	145,700	108,400	96,699	192,299	543,098

which befell its rival in the same period ; but, by 1861, it had so corrected its peculiar faults that its circulation was everywhere accepted as perfectly secure—and in fact was so nearly so as scarcely to be criticized in that regard, except by noting that it depended entirely upon the credit of the State, so far as concerned its only satisfactory basis ; while the safety fund system would have remained intact through any public disaster that did not involve anarchy and the wiping out of private obligations.

The well earned reputation of New York State bank currency is nowhere better shown than in the discussions in Congress of the National Banking Act and the echoes thereby waked in New York. In bringing his pet measure forward Senator Sherman not merely admitted the soundness of New York State bank currency, but urged as a grievance that it was in such high repute and great demand throughout the West as to command a premium over local circulation and constituted a great source of profit to New Yorkers, which he urged should be transferred to the Federal Government.* During the debates it developed that New York State bank currency was selling at the rate of three per cent. premium over greenbacks; while New York Senators and Representatives bore unanimous witness to its soundness and to the patriotism of her banks; and her bank superintendent protested in vain against the fiat that drove her State Bank Currency out of circulation.†

Even after the issuing banks had become National Banking associations so great was the confidence of the people in the old State Bank notes that they were kept in circulation together with the National Bank Currency,—to the amazement and disgust of Senator Sherman and other National Bank advocates‡—whereupon the *coup de grace* was given, and—not because it was too bad, but because it was too good ; not because the people had no confidence in it, but because they preferred it to National Bank notes—was State Bank Currency suppressed by a prohibitory tax of 10 per cent.

* "According to a recent statement which I have before me, the circulation of banks in the Eastern States has now reached about \$130,000,000 ; and of that amount one-third is computed to be in the Western country. I have no doubt that we are now circulating in the West \$40,000,000 of paper money issued by the banks of the East, and we are paying to the East the interest on this \$40,000,000, which we had much rather in these times of difficulty pay to the United States."—*Senator John Sherman*, January 8, 1863.

† "The National Banks were intended to supersede the State Bank. Both cannot exist together. Yet while the national system is extending, the issues of State Banks have not materially decreased. Indeed, many local banks have been converted into National Banks and yet carefully kept out their State Bank circulation. * * * It is far better at once to abandon the National Banking system than to leave it as a cloak for State Bank issues."—*Senator John Sherman*, February 17, 1865.

‡ "What I have stated in regard to the value of the local bank currency is well known to the country. Why, sir, I read to the Senate the day before yesterday the price at which this money was selling in the City of New York, and it was $2\frac{1}{2}$ per cent. premium as quoted ; and a banker from that city told me it was three the evening of that day. It is better and will ever remain better than greenbacks in my judgment."—*Senator Lazarus W. Powell, of Kentucky*, February 13, 1863.

"I shall vote against this proposition because it involves in itself a declaration that Congress means that State banks shall wind up their affairs. * * * Our State banks have sustained the Government. They have been the Rothschilds and the Barings to whom we have gone for our funds in order to carry on this war. When Congress met in July, 1861, we found our financial affairs in the utmost embarrassment. We passed a bill authorizing a loan of \$250,000,000. What was done ? Where did we get the funds ? The Secretary of the Treasury went to New York with trembling. The bankers there met him nobly, generously, and provided him with the means of carrying on the Government. The banks of the City of New York alone placed in his hands \$105,000,000—nearly double the amount of their capital ; and at this day the banks of the State of New York alone hold 150 per cent. of their capital in the stocks of the United States ; and here we are declaring hostility against these institutions from which we have derived our pecuniary support during the existence of this rebellion."—*Senator Ira Harris, of New York*, Feb. 14, 1863.

In his report for 1862, the N. Y. Superintendent of Banking, after referring to the recommendations of Secretary Chase, says : "The Secretary adds : 'the recent experience of several States in the valley of the Mississippi painfully illustrates the justice of these observations, and enforces by the most cogent practical arguments the duty of protecting commerce and industry against the recurrence of such disorders.' However truthful these remarks may be in regard to the institutions and currency of some portions of the country, they certainly do not apply to New York, and furnish no basis for interference with her institutions ;" while in 1863 he added :—

"Whatever may be the action of Congress in the premises, I have full faith that the Legislature of New York will protect its honor, and the interests of a common constituency, with dignity and firmness. Under the existing laws no person can issue, within this State, notes to circulate as money, without depositing the required securities in this department. Without legislative instruction to the contrary, it will be my duty, during my continuance in office, to enforce this provision against all associations or individuals claiming authority from any other source. If occasion require, I shall not hesitate to bring the question to the test of judicial decision, that we may learn authoritatively what powers over local institutions are still left to the States."

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Each number contains a **special discussion** of some Sound Currency question.

*In my judgment the gravest defect in our present financial system is its lack of elasticity. * * * The demand for money, in this country, is so irregular that an amount of circulation which will be ample during ten months of the year, will frequently prove so deficient during the other two months as to cause stringency and commercial disaster. The crops of the country have reached proportions so immense that their movement to market, in August and September, annually causes a dangerous absorption of money. The lack of a sufficient supply to meet the increased demands during those months may entail heavy losses upon the agricultural as well as upon other business interests.—SECRETARY WINDOM in his report for 1890.*

CANADIAN BANK-NOTE CURRENCY.

L. CARROLL ROOT.

	PAGE
CONDITIONS PRIOR TO 1867	310
FREE BANKING	310
TAX ON CIRCULATION	310
PROVINCIAL NOTES	310
SITUATION IN 1867	311
ACT OF 1871	311
ACT OF 1880	311
ACT OF 1890—THE PRESENT LAW	312
THE RESERVE QUESTION	312
PRINCIPAL DETAILS OF THE ACT	312
SPECIAL FEATURES	314
PROPORTION OF CIRCULATION TO CAPITAL	314
EMERGENCY EXPEDIENTS	315
PROCEDURE IN CASE OF FAILED BANKS	315
BRANCH BANKING	316
CONVENIENCE	318
SECURITY	319
ELASTICITY OF CURRENCY PROVIDED	320
TABLE AND DIAGRAM CONTRASTING CANADIAN AND U. S. SYSTEMS	321
REDEMPTION FACILITIES	322
GENERAL REVIEW CANADIAN CURRENCY	323
PRESENT CONDITION CANADIAN BANKS	324

CANADIAN BANK-NOTE CURRENCY.

CONDITIONS PRIOR TO 1867.

The awakening interest in the subject of currency reform, and especially in the problems involved in securing a safe and elastic bank note currency, seems sufficient justification for the presentation in this series of the experience of Canada in this regard.

Though there are many interesting points connected with the earlier history of Canadian banking, the scope of the present sketch must be confined mainly to the period since the Confederation of 1867.

“FREE BANKING.”

Already at that time the free banking stage in Canada had been passed. In 1851, in addition to the regularly chartered institutions, provision had been made for the establishment of banks of issue based on the “free banking” system in force at the time in the State of New York. Each bank incorporated under the Act was required to deposit with the designated Provincial officials not less than \$100,000 in government debentures, as security for the ultimate redemption of its notes, of which an amount equal to the par value of the bonds thus deposited might be issued.

Only five banks were ever established under the Act, and the experience of a few years was sufficient to demonstrate that these were incapable of successful competition with the other chartered banks of Canada, so that, before the year 1867, they had either passed out of existence or, securing more favorable charters from the Legislature, had retired their notes thus specially secured, withdrawn their bonds, and taken their places alongside the older chartered institutions.

An effort was made about the same time to reduce the circulation of the chartered banks to a similar basis by offering a material reduction of the tax on circulation in cases where such banks should give up a portion of their charter privileges of issue, accepting in lieu thereof, the privilege of issuing additional circulation based upon holdings of specie and government bonds—which, though retained in the possession of the individual banks, were to be pledged as a special security for the redemption of the notes issued. This also failed to accomplish the object desired by the Government, viz., the replacement of the existing issues by a system of currency based upon the bonds of the Government.

TAX ON CIRCULATION.

In 1853 the annual tax of one per cent. which had existed since 1841 was made to apply only to the average amount by which the notes in circulation should exceed the amount of gold and silver coin and bullion and government bonds held by the bank—a measure, the effect of which was to permit the free issue of notes up to the amount of the bank's holdings of specie and government bonds—in addition to which each bank might issue further circulation up to the amount of its paid-up capital, subject to a tax of one per centum upon the average amount of such notes in circulation. This naturally encouraged somewhat larger holdings of government bonds.

PROVINCIAL NOTES.

In 1866 an Act was passed authorizing the issue of Provincial notes to the amount of \$5,000,000. It was designed that these notes should supplant the issues of the banks, and to this end arrangements were authorized to be made with the several banks to induce them to surrender the right of issuing circulation granted them by their charters. In return for such a surrender each bank was to receive

from the Province each year until the expiration of its charter a payment of 5 per cent. upon the volume of notes surrendered. The government debentures theretofore held by the banks as security for their notes were to be exchangeable at par for equal amounts of the new Provincial notes.

Only one institution, however—the Bank of Montreal—accepted the terms of the Act. The others not only refused to make any arrangement for the retirement of their notes, but began an agitation which resulted later in their obtaining even more favorable charters.

SITUATION IN 1867.

The Confederation of the several Provinces into the Dominion of Canada in 1867, therefore, found nearly forty bank charters in force, though the number of banks in actual operation was not more than thirty, which, by the system of branches, had in all several hundred banking offices. These in the main possessed the right of issuing circulating notes as they should see fit, unsecured by special deposit, and limited in amount only by the aggregate of their paid-up capital *plus* the amount of specie and government bonds held. In regard to nearly every detail there was some diversity. In Upper and Lower Canada, for example, the charters as a rule contained a provision for the double liability of the stockholders; while the stockholders of one bank were under no liability beyond the amount of capital subscribed; and in the case of the Banque du Peuple, at Montreal, the “principal partners” were liable for the debts of the bank without limit. In New Brunswick the later charters had provided for double liability in accordance with the practice in the Province of Canada, though some of the earlier charters had imposed only liability for the amount of stock subscribed. In Canada and Nova Scotia the aggregate liabilities of any one bank were limited to three times the capital stock, and in New Brunswick to twice the capital. In details of less importance the diversity was even greater.

ACT OF 1871.

After the Confederation in 1867 several attempts were made at banking legislation before the final perfection and passage in 1871 of a general Banking Act (34 Vic., Ch. 5, April 14, 1871), which is the foundation of the present system.

It continued for ten years the charters of the principal banks in existence at the time and provided for the incorporation of new banks for periods not exceeding ten years. A subscribed capital of \$500,000 was required, \$100,000 of which must be paid up before business could be commenced, and an additional \$100,000 within two years thereafter. As to note circulation, the chief requirements were (1) that the total amount in circulation should not exceed the unimpaired paid up capital; (2) that no note for a smaller denomination than \$4 should be issued; and (3) that each bank must receive its own notes at par in payments to any of its branches, but was not obliged to redeem its notes in specie or Dominion notes except at the place where they were made payable—the chief place of business. The tax on circulation was not to apply to notes issued by banks incorporated under this Act.

All charters thereafter granted enforced the principle of double liability of stockholders for all obligations, including deposits as well as circulation. Monthly returns of condition were required to be made to the Finance Department.

The act contained little new legislation—being mainly re-enactment of earlier statutes applying to some or all of the banks.

ACT OF 1880.

The bank charters having been granted for only ten years, their expiration in 1881 called attention to the subject of the Bank Act and was the occasion for a care-

ful revision and re-enactment previous to the rechartering of the banks. The most important of the amendments made at this time (Act of May 5, 1880, 43 Vict., Ch. 22), was a provision to the effect that in case of insolvency the circulating notes of the insolvent bank were to be a first charge upon its assets. This marks an important step in the development of a safe currency. Previous to 1881 the noteholders had had no such advantage over depositors or other creditors in the distribution of the assets of an insolvent bank. So long as the assets should prove sufficient to meet *all* the liabilities, the noteholders were sure of ultimate payment; but the prior lien now given acted as a guaranty not only of an ultimate, but of a speedy redemption.

In the period between 1871 and 1881 there were six bank failures, in the case of four of which both noteholders and depositors were paid in full; in the case of one, the Bank of Acadia, closed in 1873, information is not obtainable; while in the case of the sixth both noteholders and other creditors received $57\frac{1}{2}$ cents on the dollar. This was a small bank, the Mechanics' Bank of Montreal, which had a paid up capital of \$195,000. At the time of suspension (May, 1879), its total liabilities amounted to \$547,000, of which about \$150,000 was in the form of outstanding notes. From the assets, the nominal value of which was \$720,000, sufficient funds were realized to meet but $57\frac{1}{2}$ per cent. of the liabilities. It was this experience, perhaps, more than any theoretical grounds that led to the important amendment above noted, whereby, in case of any subsequent failure, the notes should become a first charge upon the assets.

It so happens that between 1881 and 1891 there were likewise six failures. In every case the notes were paid in full, being a first charge upon the assets; in three cases only were the depositors also paid in full; in one case they finally received $99\frac{2}{3}$ cents on the dollar, but only after some delay; in another instance the dividends to depositors amounted to $66\frac{2}{3}$ per cent. of their claims; while the sixth is still unsettled, but promises only a small dividend to depositors.

BANK ACT OF 1890.—THE PRESENT LAW.

With the year 1890 the question of renewing the bank charters was once more opened up for discussion. The Government, desirous of acting most intelligently, called together a conference of the leading bankers of Canada to consider the situation and assist in the formulation of a plan for the coming ten years. The recommendations of this conference, though in no wise binding upon the Government, received marked attention and were quite generally adopted. It is to the suggestion of this body that the one important provision of the amendments finally adopted—the “Bank Circulation Redemption Fund”—must be attributed.

THE RESERVE QUESTION.

In regard to the proposal brought forward by the Government to require a fixed cash reserve bearing certain definite relations to deposits, much as now required to be maintained by our National Banks, the following from a well known banker and financier of Canada so adequately illustrates the attitude of the Government towards the suggestions of this Conference that it is quoted:

“Almost the only point upon which there was a difference of opinion had reference to the cash reserves. No limit to these is set by the Act, and many bankers and Members of Parliament favored a minimum monthly average. Indeed the Government had a clause in the draft of the Act fixing a minimum cash reserve, which could not be drawn upon, instead of an average reserve, which would have enabled a bank to use its reserve in an emergency. Instead of being amended, the clause was struck out.”

PRINCIPAL DETAILS OF THE ACT.

Taking up the Act itself, the following may be mentioned as the more important of the provisions relating to the establishment of banks and the details of note issue, many of which date from the Act of 1871, though still more are of later origin or modified forms of the earlier provisions.

Capital Stock.—The capital stock subscribed shall not be less than \$500,000, or

which \$250,000 must be actually paid in in cash and temporarily lodged with the Minister of Finance until a certificate is obtained from the Treasury Board. Dividends must not impair the paid up capital, nor can a dividend of more than 8 per cent. per annum be declared until the surplus reserve fund shall equal 30 per cent. of the paid up capital.

Reserves.—The ratio that reserves shall bear to liabilities is not prescribed in any way. It is, however, provided that 40 per cent. of such reserves as shall be held must be in the form of Dominion notes.

Shareholder's liability is for an amount equal to the stock subscribed, in addition to any portion not fully paid up.

Note Issues.—With but two exceptions notes may be issued up to the paid up capital. The exceptions are The British Bank of North America and La Banque du Peuple neither of which is permitted to issue circulating notes to an amount greater than 75 per cent. of its paid up capital without depositing with the Minister of Finance either cash or bonds of the Dominion of Canada as a security for all issues above the 75 per cent. limit. The issue of bank notes under \$5 is prohibited.

Penalties for excessive issues have been provided as follows :

Less than \$1,000-----	Penalty equal to excess.
Between \$1,000 and \$20,000-----	“ of \$1,000
“ \$20,000 and \$100,000-----	“ of 10,000
“ \$100,000 and \$200,000-----	“ of 50,000
Above \$200,000-----	“ of 100,000

In 1883 money penalties were first substituted for forfeiture of charter which had previously been the penalty for over-issue. But the fines then imposed were much lighter than the present ones, so light in fact that the profit to be derived from the use of notes above the legal limit in certain cases might more than compensate the bank for the penalty. For example, the fine for an over-issue of \$20,000 had been only \$100—just $\frac{1}{2}$ of 1 per cent. However, the aggregate issues of all the banks in the system has never approached the legal limit, and the official returns show but few cases in which this point was availed of by banks desiring to increase their issues under an emergency.

Security.—Notes are a *first charge against all the assets* of the issuing bank, including the double liability of stockholders. No deposit of bonds as special security is required, except in the case of the two banks mentioned above, for any issues in excess of 75 per cent. of their capital stock.

“Bank Circulation Redemption Fund.”—Each bank is obliged to keep on deposit with the Minister of Finance a sum of money equal to five per cent. of its average circulation for the previous fiscal year, which deposit bears interest at the rate of three per cent. In case of the suspension of any bank, its notes shall draw interest at the rate of six per cent. from the date of suspension until such date as is named by the Directors for their redemption. If the bank fails to make provision for the payment of its notes with accrued interest within two months from date of suspension, the Minister of Finance shall appoint a day upon which he will redeem such notes with interest from the “Redemption Fund,” and upon such day they shall cease to bear interest.

The amount thus paid from this fund in the redemption of the notes of a suspended bank in excess of the contribution of that bank to the fund, with whatever interest may have accrued, shall be ultimately recovered from the assets of the bank in question if its assets are sufficient. But pending such reimbursement the other banks shall be called upon to make good the amounts by which their contributions shall have been reduced below the 5 per cent. limit; but such calls upon them shall not exceed one per cent. in any one year.

Redemption Agencies.—Each bank “shall make such regulations as are necessary to ensure the circulation at par in any and every part of Canada” of all its notes; “and towards this purpose the bank shall establish agencies for the redemption and payment of its notes at the cities of Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg and Victoria, and at such other places as are, from time to time, designated by the Treasury Board.” Each bank shall also receive its own notes at par at each of its branches, but is not obliged to redeem them in coin or Dominion notes except at agencies as noted above and at such of its offices as shall be especially designated as places of payment, including always the head office.

Monthly returns of the condition of each bank are required to be made to the Minister of Finance.

Taxation.—There is now no tax on the circulation of these banks.

SPECIAL FEATURES.

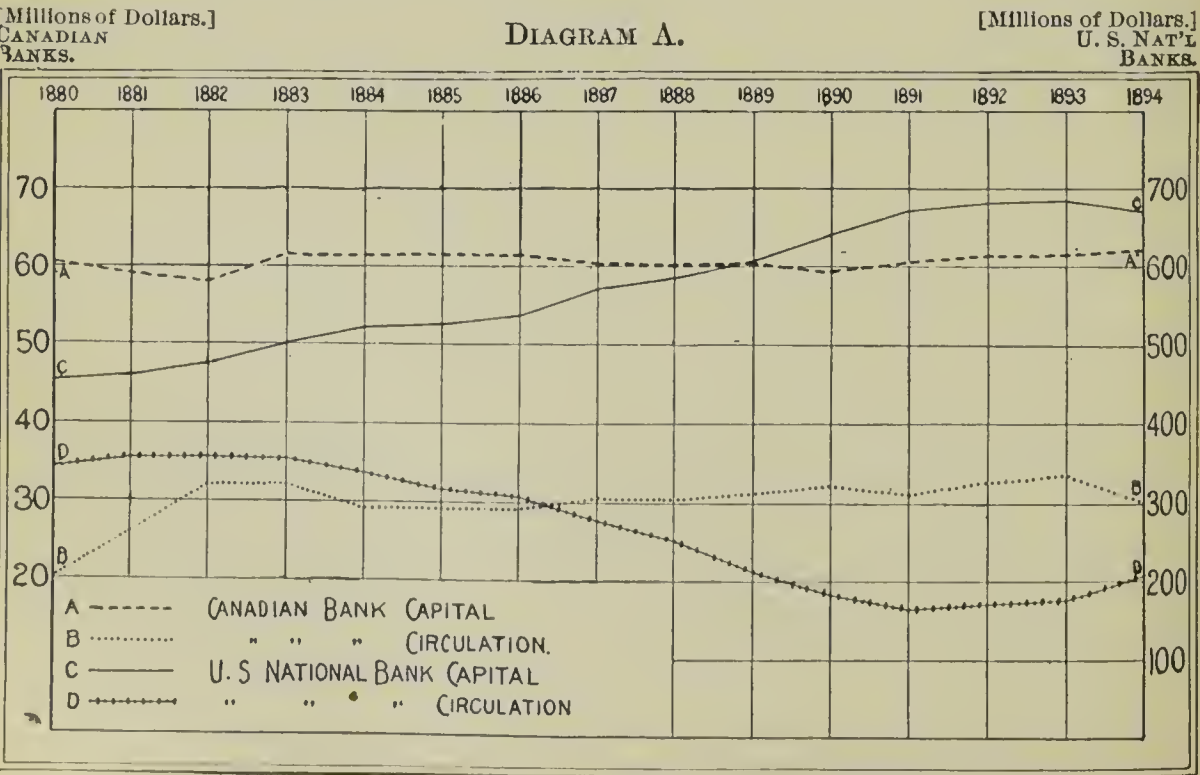
The Act of 1890 extended for a further period of ten years the charters of 36 banks, in addition to regulating the issues of two institutions acting under Royal charters ; while since its passage the Merchants' Bank of Prince Edward Island has also entered the system, thus raising the number of chartered banks to 39, one of which, however (the Commercial Bank of Manitoba), is now in process of liquidation. It must be remembered, however, that these 39 banks are mainly large institutions, each with many branches, in the aggregate corresponding to 460 local banks such as we have in the United States.

PROPORTION OF CIRCULATION TO CAPITAL.

The following table showing capital stock and volume of outstanding notes for the past fifteen years will serve to indicate the comparatively steady course of recent banking in Canada, as well as facilitate comparison with the experience of our National Bank system :

COMPARISON OF THE CANADIAN AND UNITED STATES NATIONAL BANKING SYSTEMS AS TO NOTE CIRCULATION AND CAPITAL STOCK.

	UNITED STATES NATIONAL BANKS.			CANADIAN BANKS.		
	Notes Outstanding July 1st in each year.	Capital at Nearest Date to July 1st.	Ratio of Notes to Capital Per Cent.	Notes Outstanding July 1st in each year.	Capital Stock July 1st.	Ratio of Notes to Capital Per Cent.
1880.....	\$344,505,427	\$455,909,565	75	\$20,186,176	\$60,584,789	32
1881.....	355,042,675	460,227,835	77	26,102,368	59,384,987	44
1882.....	358,742,034	477,184,390	75	32,229,937	58,739,980	54
1883.....	356,815,510	500,298,312	71	32,211,945	61,401,554	52
1884.....	339,499,833	522,515,996	65	29,654,511	61,443,397	49
1885.....	319,069,932	526,273,602	60	29,692,803	61,821,158	48
1886.....	309,010,460	539,109,291	57	29,200,627	61,841,395	47
1887.....	279,217,788	571,648,811	50	30,438,152	60,815,356	49
1888.....	252,362,321	588,384,018	43	30,444,643	60,168,011	50
1889.....	211,378,963	605,851,640	35	31,209,972	60,236,451	52
1890.....	185,549,848	642,073,676	29	32,059,178	59,569,765	53
1891.....	167,927,574	672,903,599	25	31,379,886	60,742,366	51
1892.....	172,683,850	684,678,203	25	32,614,699	61,512,630	53
1893.....	177,164,255	685,786,718	26	33,483,413	61,954,314	54
1894.....	207,353,244	671,091,165	31	30,254,159	62,112,883	49



The most noticeable feature of the showing thus made is that while Canadian bank capital and volume of circulation have remained practically unchanged for a considerable period, the capital invested in National banks has largely increased contemporaneously with a very marked falling off in their circulation. The cause of this latter phenomenon it is unnecessary to discuss here.

In relation to the possibilities for further expansion, if required, it is noteworthy that in Canada since 1882 the volume of notes in circulation has generally varied little from 50 per cent. of the capital stock—one-half the amount allowed. Even at the highest point reached the proportion was less than 65 per cent. But while as a whole the Canadian banks have never approached their legal limit so closely as to cause any apprehension of reaching a point where further expansion must cease, this point has frequently been reached in the case of individual banks. At such times the situation is carefully watched from the Head Office, and further issues at all the branches immediately stopped by telegram the moment the legal limit is reached.

EMERGENCY EXPEDIENTS.

If, as is usual in such cases, the opportunity for the use of additional circulation is of short duration, the necessities of the various branches are met by paying out whatever comes into their tills, *e. g.*, the notes of other banks, which under other circumstances are always sorted out and presented for redemption. But if the demand for additional circulation seems comparatively urgent and likely to continue for some time, resort is most often had to a loan from some bank whose circulation is some distance within the limit. This loan is, of course, made in the notes of the second bank, which are thereupon paid out by the first in the same way as it would use its own notes were it possible to issue more without incurring the penalties. The usual practice is either to postpone repayment of the loan for two weeks or to waive the current interest for that period. As the average life of a note is not far from four weeks, the transaction thus resolves itself into an ingenious method of escaping the fine for over-issue, by combining the business of one bank with the notes of another, and dividing evenly between the two whatever circulation profit there may be.

PROCEDURE IN CASE OF FAILED BANKS.

Reference has already been made to the failure of the Commercial Bank of Manitoba, at Winnipeg. As this is the only bank that has failed since 1888, the details of its experience will prove of special interest as being the only case in which the operation of the new provisions of the Act of 1890 are involved.

The bank was incorporated in 1884 with an authorized capital of \$1,000,000, \$500,000 of which was subscribed, but only \$100,700 paid up. The authorized capital was afterwards increased to \$2,000,000, of which at the time of the failure \$740,700 had been subscribed, \$552,600 paid up. Its management seems never to have been regarded as especially sound and at no time did it enjoy the best of credit.

The bank suspended July 3d, 1893, at which time its notes in circulation amounted to \$419,135, deposits, \$633,058.87, other liabilities, \$292,075.59, total liabilities, \$1,344,269.46. The nominal value of the assets at the same time was \$1,954,167.98, of which \$1,636,260.58 was in the form of current loans. The amount of coin and Dominion notes held was but \$4,130.26.

At the time of the failure, so far as the bills of the bank were concerned, there was not the slightest uneasiness or disturbance in business or banking circles. The notes were readily accepted by all the other banks, as there was no question about the certainty of their ultimate payment, and, since they bore interest at six per cent. from date of suspension until redeemed, they were regarded by bankers in general as a rather favorable investment. In this way the larger part of the circulation was soon removed from the hands of the general public. At the expiration of two months—the time at which the law provides that the Minister of Finance may make arrangements for the payment of the notes from the Redemption Fund—the receivers found themselves in a position to redeem any of the notes likely to be presented by the public, but unable at once to redeem all those held by the banks. Rather than incur the annoyance and expense which the resulting assessment upon the several banks would have caused, if the notes were to be redeemed from the Redemption Fund, the banks agreed to hold those in their possession until the receivers should be able to provide for their payment, interest upon them in the meantime to continue. The authorities in the Finance Department, however, were inclined to insist upon the immediate payment of these notes out of the Redemption Fund, or, in case any other practice were followed, to insist upon the banks holding them without interest. The wishes of the bankers, however, by virtue of their arrangement with

the receivers, finally prevailed, and though the Minister of Finance promptly announced that the notes of the insolvent bank would be redeemed from the "Bank Circulation Redemption Fund," none were presented to him. This arrangement was of special advantage in that it did away with the necessity for the payment of small contributions from each of the remaining 38 banks in the system, which the redemption of these notes from the fund would have caused—contributions which it would have been necessary to repay to the contributing banks in the course of a few months at most, when the liquidation of the bank's assets had so far progressed as to enable the receiver to redeem the notes thus passing into the hands of the Minister of Finance.

Thus the knowledge of the existence of the two important "safety" provisions—notes as a first charge, and the Redemption Fund—was sufficient in itself to prevent any depreciation or other evidence of discrimination against the notes of the suspended bank, and actual resort to the Redemption Fund, as contemplated by the law, was found in this case to be unnecessary.

By the end of October, 1893, not quite four months from the date of suspension, the circulation had been reduced to \$83,000, since which time the notes have been redeemed as fast as presented. There are still outstanding some \$10,000. At the expiration of a year from the date of suspension, in addition to the notes thus redeemed, \$84,000 of Provincial deposits—another preferred charge upon the assets—had been repaid, and the remaining liabilities reduced by the payment of about \$290,000 out of a total of \$840,000. Competent bankers, conversant with the affairs of the institution, express little doubt but that all creditors will eventually be paid in full.

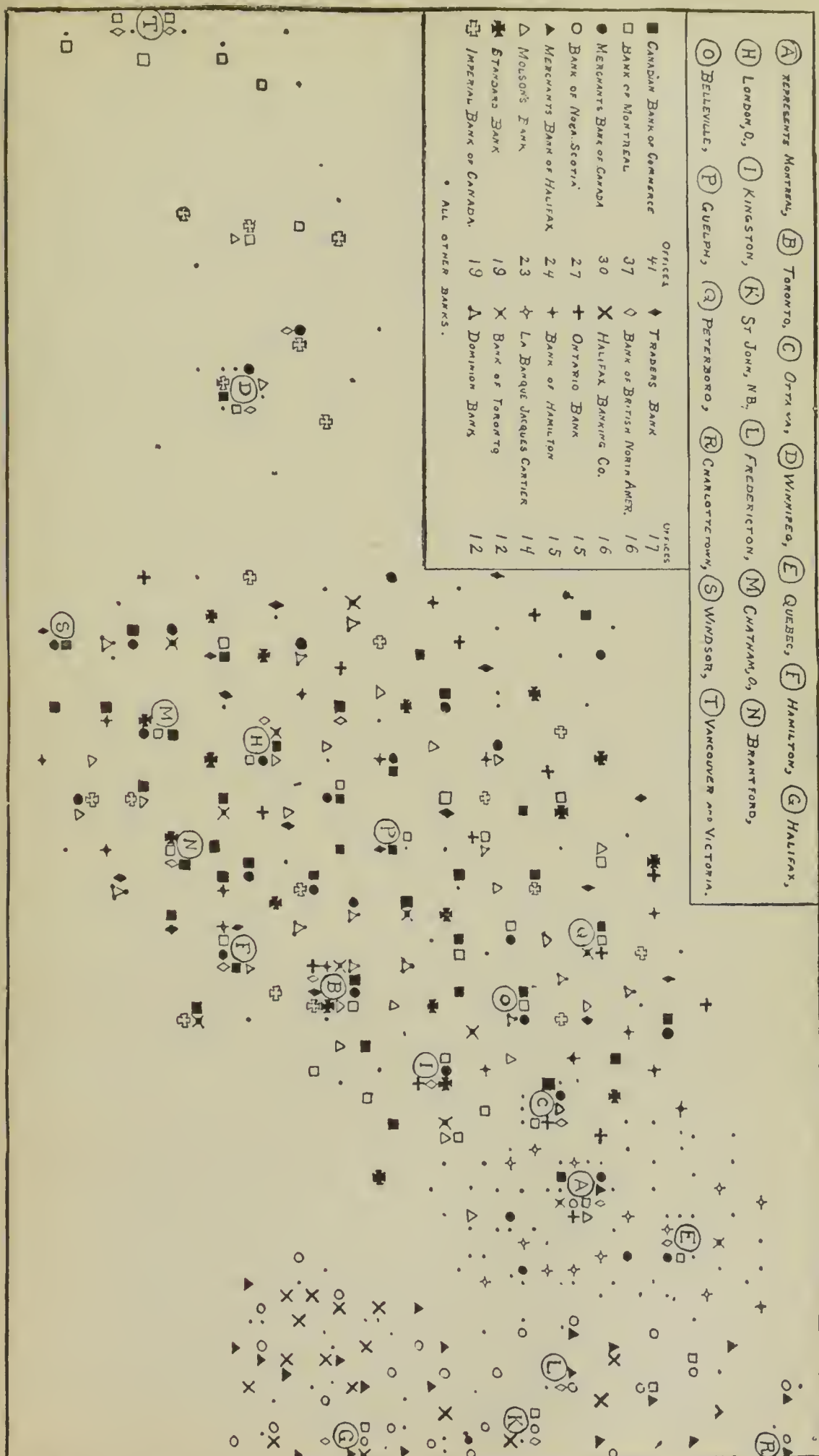
BRANCH BANKING.

Prominent among the features of the Canadian system, of special interest to students of banking in the United States, is the practice of "branch banking;" not because it is by any means rare in banking experience elsewhere, but because here in the United States we have been so long accustomed to localized banking that not only are the methods of conducting business through the medium of branches not generally understood, but the whole field is one which seems to have received little attention at the hands of the average American banker. Yet the system has for many years been in successful operation just across our northern border, and is at present such an important factor in the Canadian system that any treatment is inadequate that fails to bring out and emphasize its details.

A prerequisite to any extended use of branches in conducting a banking business is that large capitals shall be concentrated in the hands of single institutions. So long as the capital of a bank is no larger than can be economically employed in its immediate vicinity, there is no inducement for the establishment of branches elsewhere; and conversely, where there is no opportunity for the establishment of branches, there can be little inducement for the massing of large capitals—with occasional possible exceptions in our most important financial centers. But whatever may be the causal relation, the fact remains that the Canadian banks are mainly institutions possessing many times the capital of any of our own banks situated in cities no larger than Montreal or Toronto. There, however, the location of the head office is not necessarily the seat of the main operations of the bank; it is more often merely the center of a vast system of branches, extending from Halifax on the East to Vancouver on the West, each presided over by a trained banker and the whole system directed by a competent General Manager. In this way the local interests of each branch are merged into a single organism whose interests are national and whose opportunities for the widespread employment of capital are unexcelled.

In the diagram on the opposite page an attempt is made roughly to show the extent of the practical interdependence of the subsystems represented by the great Canadian Banks, by the interlocking rather than by the aggregation of which is made up the general system. In such a diagram it has been possible only roughly to indicate the relations of the several banking centers to each other and their relative importance. In a general way, however, the whole field has been covered, so that not only is the situation suggested of each of the 337 branches of the sixteen leading banks especially noted, but there have been also approximately located—under a common symbol (·)—the 123 offices of the remaining 22 Banks of Canada; so that in a way the diagram may be considered complete.

DIAGRAM B.—SHOWING LOCATION CANADIAN BANKS AND BRANCHES.



CONVENIENCE.

This intricate network of branches brings about a condition of affairs vastly different from that which prevails in this country, and consequently leads to the employment of methods unknown to our bankers.

It is perhaps in the matter of the distribution of loanable capital that the advantages of the branch system are most apparent. Through the various establishments of one of the larger banks the surplus capital of many scattered communities finds its way to a common reservoir, from which through the medium of other branches the most urgent demands of other localities are satisfied. Of the intensity of these demands and the relative standing of prospective borrowers each locality has its own close observer in the person of the manager of the local branch; and the General Manager is always in a position to direct an intelligent distribution of the loanable capital at his disposal, and in the existing organization of branches he finds ready facilities for accomplishing this. As a consequence, each borrower, whether situated in Toronto or in Vancouver, finds himself in direct communication with the idle funds of every part of the Dominion; and so perfect is the organization and execution of the system that, instead of the conditions prevailing under our localized system, where the rate in the East is often 5 per cent. or even less while Western borrowers are paying 10 or 12 per cent., there is rarely a difference of more than one or two per cent. between the rate of interest paid by a merchant in Toronto or Montreal and that paid by any solvent farmer or merchant in the Northwest.

Each locality is thus better served than it could hope to be otherwise. There was a time, of which the "free banking" movement is perhaps an evidence, when there was a strong feeling manifested that it was better for each community to have its own local bank, conducted with capital furnished by local capitalists and managed by local officers and bankers. This, however, seems to have been mainly a matter of sentiment, which eventually gave way before the practical advantages of the existing system. Not only are the vast resources of one of the larger banks, when placed at the disposal of a small town, an element of strength and safety which no local institution could hope to rival, but the very magnitude of the institution and the work it has to do permit the employment of the very best banking talent and ability, ensuring the best possible administration; while the trained inspectors employed are able to guard the interests of the stockholders much more closely than they could do themselves even in a local institution.

In the matter of the distribution of reserves the practice followed by local banks in the United States of depositing a portion of their reserves in city banks, also involves some dangers from which the branch system is free. To be convinced of this it is necessary only to contrast the relation existing between a large deposit bank in New York and forty of its correspondents throughout the country with that existing between the head office and forty branches of a single institution. In the case of any stringency approaching a crisis or panic, such as that through which we passed in 1893, the country banks not only endeavor to increase their reserves by curtailing discounts at home, but also in the great majority of cases seek to withdraw as rapidly as possible their deposits from the city banks. The result is usually anything but an economical distribution of the funds available to meet the threatening situation. In the case of a branch bank, however, the actual necessities of each branch receive due consideration and the funds available at any and all the offices are distributed throughout the system or concentrated at the cities in accordance with whatever policy shall promise most favorable results. There would thus be no occasion for that grab-all-you-can policy which, in the effort of each bank to "look out for No. 1," has been responsible for so many unnecessary commercial disasters.

In the handling of bank-note circulation the branch system can count another of its advantages. To secure prompt and adequate expansion of the currency just when and where the necessities of commerce require, it is not enough that there shall be large banks in the financial centers capable of increasing their circulation, and small ones in the agricultural districts also capable of adding somewhat to the circulation there. For the greatest need for additional currency is most likely to occur at a distance from the larger banks. But a well conducted system of branches insures to each locality the largest facilities for whatever expansion of the circulation it shall require; in other words, it enables the notes of each bank to be put in circulation just where they are most needed. For example, if occasion required, the local branch of the Bank of Montreal in any one of a dozen interior towns would be capable of increasing its circulation to the extent of several millions of dollars; while any such local bank as the place could support would be able to add at the most only a few thousands.

In the facility which widely scattered branches offer a bank in the way of getting its notes into circulation is found another incentive for their establishment. For where, as in Canada, each banker daily presents for redemption all other bank notes which may reach him, if the notes of a bank are put in circulation only at a single point, not only will the average period of circulation be brief, but the field of their employment must also necessarily be limited. But by the establishment of ten, twenty or thirty branches, it becomes an easy matter for a bank, by continually paying out its own notes in so many different places, not only to enlarge its field of circulation, but to increase the average life of the notes, thus contributing in two directions to increased profits.

The Head Office keeps each branch constantly supplied with notes signed ready for issue, which, except for the purpose of small change or occasional matters of accommodation, answer all the purposes of the teller. Whenever payments are made over the counter, these notes are the medium. This use of a bank's own notes as the ordinary till money throughout the whole system of branches has the very great advantage of costing no interest, the only expense being that of printing and preparing the notes for circulation. When it is noted that in some of the larger banks it requires some \$2,000,000 to keep the tills of the Head Office and the various branches supplied with cash the importance of this saving can easily be appreciated. The matter has been so admirably summed up by one of the officers of a prominent Canadian bank that I quote his statement :

"In the United States it probably does not occur to the banker to make any distinction between the money in the teller's drawers or tills and the money kept in reserve in the safes, or, as we call them, treasuries. In this country there is the greatest possible difference. All of the cash used by a bank in the United States is really money to the bank—that is, it costs the loss of interest to carry it idle. So far as this idle cash is necessary as a reserve the loss of interest should be borne, but to the extent that it is necessary only as machinery for paying checks or other change making purposes it is, in our opinion, a wasteful and unscientific system. If you look at the figures of cash held by the Canadian banks the amount appears wretchedly small in proportion to the liabilities. But, as a matter of fact, the cash there shown is only the gold and legal-tender reserves in the treasuries and the trifling amount of gold and legal-tenders kept in the tills for the convenience of customers. The main business of making payments in money is done by the note issues of the bank."

This advantage, however, is one that arises not so much from the system of branches as from the fact that the issues are secured by the general assets of the bank rather than by deposit of bonds or other special security—an arrangement which would require that capital should first have been invested in securities sufficient to cover not only the notes in actual circulation, from which a profit is being obtained, but also those in the tills of the bank and its branches, which are earning nothing.

SECURITY.

In addition to the business facilities especially increased by the system of branch banking, as contrasted with our present United States system of independent banks, each confined to a single locality, there is involved another equally important question—that of comparative security.

On the one hand it is evident that the system of branch banking involves an extraordinary amount of discretion and power in the hands of a single man—not on account of the enormous interests involved—for these are perhaps not larger than might be centered in the business of a single locality—but in the extent to which, as a necessity of the system, the administrative head must be left unguided and untrammelled by directorates or committees of stockholders. So long as interests, however great, are massed in a business concentrated at one point, a board of local directors is more or less familiar with the conditions, and can properly undertake the responsibility of correcting a too venturesome management. But when the business of a bank must be handled from a single center through numerous branches in every part of the country, it is absolutely impracticable either for the central board of directors to keep in touch with the conditions at each branch, or for numerous local boards to be so co-ordinated as to be relied upon to influence the central management. As a result, a great bank having numerous branches must of necessity be a great financial army, conducting its campaigns at once in the several quarters of the country, handled arbitrarily and summarily by a single head whose responsibility cannot be lightened or shared.

There results, therefore, on the one hand, an extraordinary administrative facility which may be of the utmost advantage to the institution—especially in enabling it promptly to adapt itself to rapidly changing conditions, whether general or local. On the other hand, the opportunities for malfeasance or, more often perhaps, imaginative finance, are greatly increased. It is perhaps hard to tell to which extreme the balance would tend—whether toward the advantage of giving

the greatest scope possible to the comparatively few born financiers that are ever available in any country, or in giving greater opportunity for evil to the “Napoleons of finance” with which any country is likely to be cursed.

In another direction, however—that of increased mutual support and insurance—the argument seems all on one side and highly favorable to the branch banking system. Under our United States system, which leaves each bank so largely dependent upon the fortunes of its locality, and the business of each locality so entirely dependent upon its local banks, nothing is more common than to see mutual ruin of banks and business in numerous widely scattered localities, while the business of the country has been as a whole sound. Such results are inconceivable in Canada. The widely extended system of each of the great banks, with its branches in every part of the country, constitutes a practical financial Lloyd’s insurance, by which each helps to guarantee the soundness of all; while the congeries of the several systems interlocking at every town in the Dominion leave it simply impossible that any local point of the least importance should for a moment be lacking in the most complete discount, currency, and other banking facilities, so long as the whole business of the Dominion is not involved in common ruin.

ELASTICITY.

The great importance of elasticity in any currency system needs no emphasis here; its special significance in relation to the business requirements of a country largely devoted to agricultural pursuits is admirably expressed by Secretary of the Treasury Windom, in his report for 1890, who says:

“In my judgment the gravest defect in our present financial system is its lack of elasticity. * * * The demand for money in this country is so irregular, that an amount of circulation which will be ample during ten months of the year, will frequently prove so deficient during the other two months as to cause stringency and commercial disaster. The crops of the country have reached proportions so immense that their movement to market, in August and September, annually causes a dangerous absorption of money. The lack of a sufficient supply to meet the increased demands during those months may entail heavy losses upon the agricultural as well as upon other business interests.”

It is especially in this connection that the experience of Canada is likely to prove most interesting to our own financiers.

The table which follows shows the extent of the regularly recurring expansion and contraction of the Canadian bank currency in recent years:

EXPANSION AND CONTRACTION IN BANK CIRCULATION.
[000 omitted.]

YEAR.	LOWEST POINT.		HIGHEST POINT.		Expansion during year.	Contraction from highest to lowest point next summer.
	Month.	Amount.	Month.	Amount.		
1882.....	Aug.	\$31,458	Oct.	\$37,940	\$6,482	
1883.....	May	31,301	"	35,563	4,262	\$6,639
1884.....	July	28,063	"	33,998	5,935	7,500
1885.....	Apr.	28,492	"	34,576	6,084	5,506
1886.....	July	28,883	"	35,322	6,439	5,693
1887.....	May	30,086	"	37,012	6,926	5,236
1888.....	"	29,278	"	36,244	6,966	7,734
1889.....	"	30,012	"	35,233	5,221	6,232
1890.....	Apr.	30,672	"	36,480	5,808	4,561
1891.....	July	30,580	Nov.	37,431	6,851	5,900
1892.....	May	31,383	Oct.	38,688	7,305	6,048
1893.....	"	31,927	"	36,906	4,979	6,761
1894.....	"	28,467	"	34,516	6,049	8,439

The following table gives, in column I, the aggregate circulation of all the banks of Canada at the end of each month, from January, 1891, to the present time; in column II, for the purpose of comparison, the corresponding data as to the National Banks of the United States are given; while the accompanying chart presents the details of the past four years’ experience in graphic form, the scale being such that the *relative* proportions are maintained:

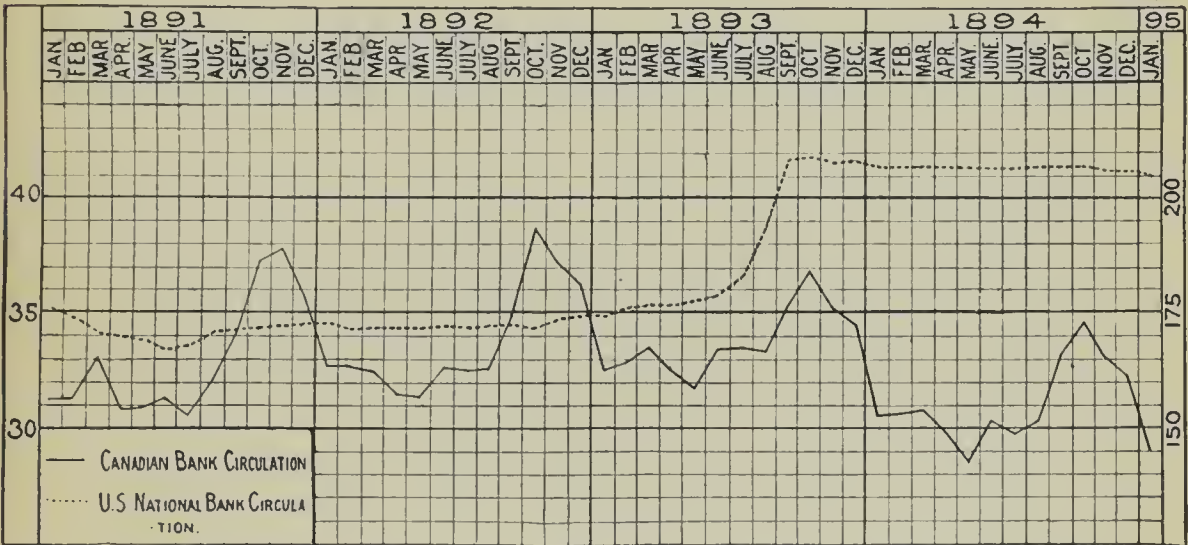
	I.				II.			
	CIRCULATION OF CANADIAN BANKS.				OUTSTANDING CIRCULATION OF U. S. NATIONAL BANKS.			
	1891	1892	1893	1894	1891	1892	1893	1894
January....	\$31,662,099	\$32,705,400	\$32,831,747	\$30,571,375	\$175,721,739	\$173,205,496	\$174,391,253	\$207,862,107
February...	31,925,749	32,711,015	32,978,840	30,603,267	173,663,374	172,621,875	17,422,388	207,479,520
March.....	33,020,661	32,483,965	33,430,883	30,702,607	171,805,064	172,529,451	176,094,544	207,875,695
April.....	30,904,096	31,496,369	32,633,073	29,996,472	170,419,376	172,476,575	176,865,614	207,833,032
May.....	30,917,215	31,383,218	31,927,342	28,467,718	169,237,459	172,499,349	177,164,255	207,245,019
June.....	31,379,968	32,614,699	33,483,414	30,254,159	167,927,574	172,683,850	178,713,692	207,353,244
July.....	30,579,968	32,488,718	33,573,468	29,801,772	168,543,059	172,527,713	183,755,148	207,539,066
August.....	32,012,196	32,646,187	33,308,967	30,270,366	171,334,339	172,656,429	198,980,368	207,592,215
September..	34,083,051	34,927,615	35,128,926	33,355,156	171,935,706	172,786,760	208,690,580	207,564,458
October...	37,182,768	38,688,429	36,906,941	34,516,651	172,184,558	172,432,146	209,311,993	207,565,090
November..	37,430,690	37,124,505	35,120,561	33,076,868	172,993,607	173,614,871	208,948,105	206,686,337
December..	35,634,129	36,191,023	34,418,936	32,375,620	173,078,585	174,404,424	208,538,844	206,605,710

DIAGRAM C.

A COMPARISON OF THE CIRCULATION OF THE
CANADIAN BANKS WITH THAT OF THE
NATIONAL BANKING SYSTEM.

[Millions
of Dollars.]
CANADIAN
BANK
CIRC.

[Millions
of Dollars.]
U. S. NAT.
BANK
CIRC.



A comparison of the courses of the lines representing on the diagram the elasticity of the Canadian and United States National bank currency for the years 1891 to 1894, inclusive, is really a condensed historic statement, of which the story of delicate and constant adjustment of Canadian currency to Canadian wants is the most commonplace chapter. The record of real interest to us, that we read on the same page, is the story of speculative periods in the United States arising from superabundance of currency at low rates of interest which so accurately coincide with the periods during which, as noted on the diagram, the line indicating the sensitive course of Canadian currency falls below that representing the stolid persistence of nearly uniform volume with us; while our annual period of late summer and early autumn stringency, toward which every merchant and banker looks with concern, and which we have so long learned to describe as the time when so much currency is needed to "move the crops"—as though the Providence that gives us harvests was responsible for it, coincides in its turn with the period during which in each year the line representing the promptly responsive currency of Canada rises above the dead level which our own currency maintains. Looking back over the panic year, the current chapter adds a climax to the comparison. In both countries business has of late been depressed, though subject to the normal tendencies to increase or decrease with the seasons. In Canada the result has been, as is seen from the diagram, a practical repetition of the contraction and expansion of former years, except that the lines which indicate contraction have grown longer in proportion to those which indicate expansion, as the currency system of Canada has

adjusted itself to the lessened requirements; while in the United States the extraordinary increase of our circulating medium conjured up by the stringency of 1893, but coming too late to avoid its worst consequences, has continued to the present date, giving the country, just at the time when it needed least currency, by far the largest supply it has ever had, and leaving the banks, in default of even ordinary business demands, to become gorged with such an unheard of surplus of currency as has never before taxed the wits of financiers or disgraced the currency system of a civilized country.

Whatever else it may or may not be, the Canadian system certainly is elastic. As surely and as regularly as the autumn months come around and the inevitable accompanying demand for additional currency begins to manifest itself, does the circulation of the banks automatically respond; the expansion ordinarily continues until about November, when a maximum, some twenty per cent. in excess of the normal circulation during the summer months is reached. In consequence of this prompt and adequate response to every legitimate demand of commerce for more of the media of exchange the conditions in Canada are quite different from those to which we, in this country, are accustomed. As a prominent banker has recently stated it, "Panics for fear of stringency are thus unknown. The Canadians never know what it is to go through an American money squeeze in the autumn."

REDEMPTION FACILITIES.

But to secure real elasticity, it is not enough that the circulation should promptly expand when the necessities of commerce require more currency. It is just as essential that the circulation should automatically contract as soon as the necessity for its existence shall cease. Here, again, the experience of the Canadian banks seems all that could be desired. Beginning with November each year, the circulation is steadily withdrawn with no more of apparent effort or concern on the part of the bankers or financiers than attended its issue, and by the first of February the normal volume has been once more restored.

The business depression through which both Canada and the United States have continued to struggle through the present year has naturally been attended by a lessened demand for money. The circulation of our National banks shows no evidence of, or sympathetic connection with, the change that has thus taken place in the requirements of trade. On the contrary, though the recent unprecedented surplus reserves of the New York City banks most strongly attest the facts, the National bank circulation has remained practically stationary for more than a year. In Canada, however, the decreased demand for money was met by such a reduction of the outstanding circulation of the banks that on May 31st last their aggregate circulation was the least reported in ten years.

The questions that most naturally arise on noting the prompt and automatic withdrawal of notes from circulation the moment they become redundant, are as to the methods of redemption through which that result is brought about.

In enumerating the provisions of the present Act, attention has already been called to the fact that each bank is not only obliged to redeem its notes in coin or Dominion notes, when presented at its principal office or at any other places at which they may be specially designated as payable, but is compelled to receive them at par in payments to any of its branches, and in addition to maintain at least one agency for their redemption and payment in each of the cities of Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg and Victoria:—*i. e.*, in the principal city of each Province.

These provisions are sufficient to insure a banker in any part of Canada—without going to unusual trouble, and in general without being obliged to venture beyond the limits of his normal business methods or operations—to present for redemption the notes of such other banks as may come into his possession. It only remains to note that, as the only means by which the field can be kept clear for his own circulation, each banker follows just that course, and day by day sends in for settlement the notes of his neighbors, precisely as he does their checks. For, except in those rare cases where the legal limit of circulation has been reached, the paying out by a banker of the note of another bank where a note of his own might have been used would be the grossest disregard for business principles. The result of this universal attitude of the banks in seeking constant daily redemption of notes is that any issue beyond the current needs of commerce soon reaches the tills of a bank or one of its many branches, from which it is promptly presented for redemption and retired.

The object sought in the establishment of the redemption agencies in each of

the principal cities of the Dominion was, not more elasticity, but a more *National* currency,—one that would circulate at par in every part of the country, yet be equally responsive to the requirements of commerce. Theretofore the notes of each bank had been accepted without hesitation by all other banks, but the universal laws of exchange prescribed that in certain cases such notes should be only accepted at a discount. For example, the movement of funds being in general *from* the Maritime Provinces *toward* Ontario and Quebec, the notes of the Nova Scotia and New Brunswick banks generally were at a slight discount in Toronto and Montreal, as drafts upon those banks would naturally be. Likewise, the notes of Toronto and Montreal banks were usually subject to some discount in the Northwest Provinces. But by the establishment of the redemption agencies provided for by the Act of 1890 a distinctly national character has been imparted to the notes of all banks, and discount, for geographical reasons, has been done away with.

That the prompt and automatic redemption which is the basis of the elasticity of the Canadian bank circulation is not due in any degree to the “redemption agencies” thus established, is shown by a glance at the table on page 12, from which it appears that, prior to the legislation of 1890, the adjustment of the supply of currency to the needs of commerce, through successive expansions and contractions, was no less perfect than it has since been.

This fact is significant in view of the tendency of United States financiers and statesmen to place extraordinary stress upon providing by legislation for elaborate redemption facilities. The experience of Canada has shown that legislation in this regard was delightfully immaterial—it having been as perfectly ineffective to secure special elasticity and prompt redemption as it was perfectly uncalled for on behalf of either, both of these aims having been perfectly subserved by the natural course of business before the law was passed.

Instructive, however, as is Canada's experience in this regard, our own is still more striking and valuable when we once catch a glimpse through the fog that thirty years' experience with the artificial redemption provided by our National Banking Act has spread about us. During the fiscal year ending June 30, 1894, on the basis of above \$200,000,000 average circulation of National bank notes, some \$100,000,000 in all passed through the elaborate redemption bureau so carefully provided by law. Of these \$50,900,000 were cases of exchange of old or mutilated for new currency; \$10,900,000 the final redemption of banks which had ceased to issue circulating notes; and only \$39,900,000, or less than two-fifths, was normal current redemption through which alone elasticity could be assisted. Before the war, however, when commercial expedients were much less effective than now, upon a basis of less than \$50,000,000 average circulation of the New England banks for which it acted, the redemptions of the Suffolk Bank during its later years amounted to \$400,000,000 annually—of which but an insignificant fraction were the mutilated and dead currency redemptions which, the mere incidentals of an effective system, are about the only uses our Federal system subserves.

The experience of Canada has shown that no elaboration of legal requirements adds to the efficiency with which if commerce is let alone it can and will attend to current redemption. In this regard clearing houses are as omnipotent as Government seems to be powerless. Our own experience has demonstrated how completely a thoroughly good system which had developed without the aid of law has been petrified by attempting to assist it.

GENERAL REVIEW OF CANADIAN CURRENCY.

The remaining elements in the general currency system of Canada, in addition to the notes of the chartered banks, already described at length, are but three: viz., gold coin, subsidiary silver and Dominion notes.

Canada has no gold coinage of her own; but the gold coins of the United States and the United Kingdom pass current and are legal tender. There is very little gold in actual circulation. The Dominion Government holds at present, as a reserve against the outstanding Dominion notes, some \$10,000,000; the chartered banks hold perhaps \$6,500,000 or \$7,000,000 additional; while the remainder of the gold in Canada, including that held by private bankers and savings banks, may be sufficient to bring the total up to \$20,000,000, in round numbers.

The silver coinage dates from 1870. It consists solely of subsidiary coins, which are legal tender to the extent of ten dollars. The total issue from 1870 to the close of the fiscal year 1893, was \$6,339,585.

The Dominion note issues are the direct outgrowth of the Provincial notes authorized in the Province of Canada in 1866. The limit of the issue, fixed in 1868 at \$8,000,000, was successfully increased to nine, twelve, twenty, and finally—by an act

approved July 23, 1894—has been fixed at \$25,000,000. As security for their redemption, the Minister of Finance is required to hold in gold and Dominion securities, guaranteed by the Imperial Government, twenty-five per cent. of the amount issued, at least three-fifths of which shall be in gold; the remaining seventy-five per cent. of the issue shall be covered by ordinary Dominion securities. The issue may also be increased above the limit specified if the Minister of Finance holds gold to the full amount of such excess, in addition to the reserve otherwise required.

The aggregate issue on October 31, 1894, was \$22,212,884, of which more than \$14,000,000 was in denominations of \$500 and \$1,000, mainly held by the banks and used in their settlements with each other. Of the remainder, \$7,048,953 was in bills for \$1 and \$2, and \$212,152 in fractional currency.

The note circulation of the Canadian banks, therefore, makes up over forty-five per cent. of the entire currency of Canada.

PRESENT CONDITION OF CANADIAN BANKS.

The condition of the Canadian banks at a recent date is set forth in the followinig summary of the monthly returns of the several banks for June, 1896.

STATEMENT OF THE 38 CHARTERED BANKS OF THE DOMINION OF CANADA,

For the month ending June 30, 1896.

LIABILITIES.		ASSETS.	
Capital authorized.....	\$73,458,685	Specie	\$7,857,220
Capital paid up.....	62,198,413	Dominion notes.....	14,008,577
Surplus or reserve fund.....	26,348,799	Deposits to secure note circulation	1,841,270
		Notes of and checks on other banks...	7,733,952
Notes in circulation	\$30,336,844	Deposits with other banks	3,308,727
Dominion and Provincial Government deposits	5,845,831	Due from other banks in foreign countries	18,484,973
Public deposits, payable on demand ...	62,934,531	Due from other banks in Great Britain.	3,599,625
Public deposits, payable after notice...	120,835,461	Dominion Government debentures or stocks	3,035,151
Bank loans or deposits from other banks	2,499,116	Public, municipal and railway securities	20,312,597
Due other banks in Canada in daily exchanges.....	185,103	Call loans on bonds or stocks.....	13,024,606
Due other banks in foreign countries..	178,877	Loans to Provincial Governments.....	702,646
Due other banks in Great Britain.....	5,098,596	Current loans and discounts.....	208,014,178
Other liabilities.....	423,786	Due from other banks in Canada in daily exchanges.....	200,110
Total liabilities.....	\$228,062,240	Overdue debts	3,468,517
		Real estate.....	2,081,519
		Mortgages on real estate sold.....	566,407
		Bank premises.....	5,614,797
		Other assets.....	2,267,644
		Total assets.....	\$316,122,706
		Average amount of specie held during the month	\$8,025,058
		Average Dominion notes held during the month	13,619,599
		Loans to directors or their firms.....	7,522,302
		Greatest amount of notes in circulation during the month	30,964,363

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What a bank can with propriety advance to a merchant or undertaker of any kind, is not either the whole capital with which he trades, or even any considerable part of that capital ; but that part of it only which he would otherwise be obliged to keep by him unemployed, and in ready money, for answering occasional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and silver which would necessarily circulate in the country if there was no paper money ; it can never exceed the quantity which the circulation of the country can absorb and employ.

When a bank discounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. The payment of the bill, when it becomes due, replaces to the bank the value of what it had advanced, together with the interest. The coffers of the bank, so far as its dealings are confined to such customers, resemble a water-pond, from which, though a stream is continually running out, yet another is continually running in, fully equal to that which runs out ; so that, without any further care or attention, the pond keeps always equally, or very nearly equally, full. Little or no expense can ever be necessary for replenishing the coffers of such a bank.

SCOTCH BANK CURRENCY.*

ADAM SMITH.

	PAGE
THE ECONOMY OF BANK NOTE CURRENCY.....	326
SPECIAL FEATURES OF SCOTCH BANKING.....	327
ACCEPTANCE OF PIECEMEAL REPAYMENT OF LOANS.....	327
SAVING OF CAPITAL THUS EFFECTED.....	327
COMMERCIAL LIMITATIONS ON BANK PAPER.....	328
NATURAL CONSEQUENCES OF INFLATION.....	328
DISCOUNTS ONLY TO MEET FLUCTUATING DEMAND FOR CURRENCY....	330
ADVANTAGES OF THIS.....	330
BANKS VS. PRIVATE BANKERS.....	331
EVASION OF CONSERVATIVE RULES.....	332
DRAWING AND RE-DRAWING.....	332
RESULTS.....	334
EFFECT OF MORE "LIBERAL" PRACTICES.....	334
MR. LAW'S IDEA.....	336

* This discussion is reprinted from "Wealth of Nations," 1776.

THE ECONOMY OF BANK-NOTE CURRENCY.

What is the proportion which the circulating money of any country bears to the whole value of the annual produce circulated by means of it, it is, perhaps, impossible to determine. It has been computed by different authors at a fifth, at a tenth, at a twentieth, and at a thirtieth part of that value. But how small soever the proportion which the circulating money may bear to the whole value of the annual produce, as but a part, and frequently but a small part, of that product, is ever destined for the maintenance of industry, it must always bear a very considerable proportion to that part. When, therefore, by the substitution of paper, the gold and silver necessary for circulation is reduced to, perhaps, a fifth part of the former quantity, if the value of only the greater part of the other four-fifths be added to the funds which are destined for the maintenance of industry, it must make a very considerable addition to the quantity of that industry, and, consequently, to the value of the annual produce of land and labor.

An operation of this kind has, within these five-and-twenty or thirty years, been performed in Scotland, by the erection of new banking companies in almost every considerable town, and even in some country villages. The effects of it have been precisely those above described. The business of the country is almost entirely carried on by means of the paper of those different banking companies, with which purchases and payments of all kinds are commonly made. Silver very seldom appears, except in the change of a twenty-shillings bank-note, and gold still seldomer. But though the conduct of all those different companies has not been exceptionable, and has accordingly required an act of parliament to regulate it, the country, notwithstanding, has evidently derived great benefit from their trade. I have heard it asserted, that the trade of the city of Glasgow doubled in about fifteen years, after the first erection of the banks there; and that the trade of Scotland has more than quadrupled since the first erection of the two public banks at Edinburgh, of which the one, called the Bank of Scotland, was established by Act of Parliament in 1693; the other, called the Royal Bank, by Royal Charter in 1727. Whether the trade, either of Scotland in general, or of the city of Glasgow in particular, has really increased in so great a proportion, during so short a period, I do not pretend to know. If either of them has increased in this proportion, it seems to be an effect too great to be accounted for by the sole operation of this cause. That the trade and industry of Scotland, however, have increased very considerably during this period, and that the banks of issue have contributed a good deal to this increase, cannot be doubted.

The value of the silver money which circulated in Scotland before the Union, in 1707, and which, immediately after it, was brought into the Bank of Scotland in order to be re-coined, amounted to £411,117 10s. 9d. sterling. No account has been got of the gold coin; but it appears from the ancient accounts of the mint of Scotland, that the value of the gold annually coined, somewhat exceeded that of the silver.* There were a good many people too upon this occasion, who, from a diffidence of repayment, did not bring their silver into the Bank of Scotland; and there was, besides, some English coin, which was not called in. The whole value of the gold and silver, therefore, which circulated in Scotland before the Union, cannot be estimated at less than a million sterling. It seems to have constituted almost the whole circulation of that country; for though the circulation of the Bank of Scotland, which had then no rival, was considerable, it seems to have made but a very small part of the whole. In the present times the whole circulation of Scotland cannot be estimated at less than two millions, of which that part which consists in gold and silver, most probably, does not amount to half a million. But though the circulating gold and silver of Scotland have suffered so great a diminution during this period, its real riches and prosperity do not appear to have suffered any. Its agriculture, manufactures, and trade, on the contrary, the annual produce of its land and labor, have evidently been augmented.

It is chiefly by discounting bills of exchange, that is, by advancing money upon them before they are due, that the greater part of banks and bankers issue their promissory notes. They deduct always, upon whatever sum they advance, the legal interest till the bill shall become due. The payment of the bill when it becomes due, replaces to the bank the value of what had been advanced, together with a clear profit of the interest. The banker, who advances to the merchant whose bill he discounts, not gold and silver, but his own promissory notes, has the advantage of being able to discount to a greater amount by the whole value of his

* Ruddiman's Preface to Anderson's *Diplomata*, etc., *Scotiæ*.

promissory notes, which he finds by experience are commonly in circulation. He is thereby enabled to make his clear gain of interest on so much a larger sum.

SPECIAL FEATURES OF SCOTCH BANKING.

The commerce of Scotland, which at present is not very great, was still more inconsiderable when the two first banking companies were established ; and those companies would have had but little trade, had they confined their business to the discounting bills of exchange. They invented, therefore, another method of issuing their promissory notes ; by granting, what they called, cash accounts, that is, by giving credit to the extent of a certain sum (two or three thousand pounds, for example) to any individual who could procure two persons of undoubted credit and good landed estate to become surety for him, that whatever money should be advanced to him, within the sum for which the credit had been given, should be repaid upon demand, together with the legal interest. Credits of this kind are, I believe, commonly granted by banks and bankers in all different parts of the world. But the easy terms upon which the Scotch banking companies accept of repayment are, so far as I know, peculiar to them, and have, perhaps, been the principal cause, both of the great trade of those companies, and of the benefit which the country has received from it.

Acceptance of Piecemeal Repayment of Loans.

Whoever has a credit of this kind with one of those companies, and borrows a thousand pounds upon it, for example, may repay this sum piecemeal, by twenty and thirty pounds at a time, the company discounting a proportionable part of the interest of the great sum from the day on which each of those small sums is paid in, till the whole be in this manner repaid. All merchants, therefore, and almost all men of business, find it convenient to keep such cash accounts with them, and are thereby interested to promote the trade of those companies, by readily receiving their notes in all payments, and by encouraging all those with whom they have any influence to do the same. The banks, when their customers apply to them for money, generally advance it to them in their own promissory notes. These the merchants pay away to the manufacturers for goods, the manufacturers to the farmers for materials and provisions, the farmers to their landlords for rent, the landlords repay them to the merchants for the conveniences and luxuries with which they supply them, and the merchants again return them to the banks in order to balance their cash accounts, or to replace what they may have borrowed of them ; and thus almost the whole money business of the country is transacted by means of them. Hence the great trade of those companies.

Saving of Capital Thus Effected.

By means of those cash accounts every merchant can, without imprudence, carry on a greater trade than he otherwise could do. If there are two merchants, one in London, and the other in Edinburgh, who employ equal stocks in the same branch of trade, the Edinburgh merchant can, without imprudence, carry on a greater trade, and give employment to a greater number of people than the London merchant. The London merchant must always keep by him a considerable sum of money, either in his own coffers, or in those of his banker, who gives him no interest for it, in order to answer the demands continually coming upon him for payment of the goods which he purchases upon credit. Let the ordinary amount of this sum be supposed five hundred pounds. The value of the goods in his warehouse must always be less by five hundred pounds than it would have been had he not been obliged to keep such a sum unemployed. Let us suppose that he generally disposes of his whole stock upon hand, or of goods to the value of his whole stock upon hand, once in the year. By being obliged to keep so great a sum unemployed, he must sell in a year five hundred pounds worth less goods than he might otherwise have done. His annual profits must be less by all that he could have made by the sale of five hundred pounds worth more goods ; and the number of people employed in preparing his goods for the market, must be less by all those that five hundred pounds more stock could have employed. The merchant in Edinburgh, on the other hand, keeps no money unemployed for answering such occasional demands. When they actually come upon him, he satisfies them from his cash account with the bank, and gradually replaces the sum borrowed with the money or paper which comes in from the occasional sales of his goods. With the same stock, therefore, he can, without imprudence, have at all times in his warehouse a larger quantity of goods than the London merchant ; and can thereby both make a greater profit himself, and give constant employment to a greater number of industrious people who prepare those goods for the market. Hence the great benefit which the country has derived from this trade. The facility of discounting bills of exchange, it may be thought indeed,

gives the English merchants a conveniency equivalent to the cash accounts of the Scotch merchants. But the Scotch merchants, it must be remembered, can discount their bills of exchange as easily as the English merchants; and have, besides, the additional conveniency of their cash accounts.

Commercial Limitations on Bank Paper.

The whole paper money of every kind which can easily circulate in any country never can exceed the value of the gold and silver of which it supplies the place, or which (the commerce being supposed the same) would circulate there, if there was no paper money. If twenty-shilling notes, for example, are the lowest paper money current in Scotland, the whole of that currency which can easily circulate there cannot exceed the sum of gold and silver which would be necessary for transacting the annual exchanges of twenty shillings value and upwards usually transacted within that country. Should the circulating paper at any time exceed that sum, as the excess could neither be sent abroad nor be employed in the circulation of the country, it must immediately return upon the banks to be exchanged for gold and silver. Many people would immediately perceive that they had more of this paper than was necessary for transacting their business at home, and as they could not send it abroad, they would immediately demand payment of it from the banks. When this superfluous paper was converted into gold and silver, they could easily find a use for it by sending it abroad; but they could find none while it remained in the shape of paper. There would be a run upon the banks to the whole extent of this superfluous paper, and, if they showed any difficulty or backwardness in payment, to a much greater extent; the alarm, which this would occasion, necessarily increasing the run upon the banks.

Over and above the expenses which are common to every branch of trade, such as the expense of house-rent, the wages of servants, clerks, accountants, etc., the expenses peculiar to a bank consist chiefly in two articles: first, in the expense of keeping at all times in its coffers, for answering the occasional demands of the holders of its notes, a large sum of money, of which it loses the interest; and, secondly, in the expense of replenishing those coffers as fast as they are emptied by answering such occasional demands. A banking company which issues more paper than can be employed in the circulation of the country, and of which the excess is continually returning upon them for payment, ought to increase the quantity of gold and silver which they keep at all times in their coffers, not only in proportion to this excessive increase of their circulation, but in a much greater proportion; their notes returning upon them much faster than in proportion to the excess of their quantity. Such a company, therefore, ought to increase the first article of their expense, not only in proportion to this forced increase of their business, but in a much greater proportion.

The coffers of such a company, too, though they ought to be filled much fuller, yet must empty themselves much faster than if their business was confined within more reasonable bounds, and must require, not only a more violent, but a more constant and uninterrupted, exertion of expense in order to replenish them. The coin, too, which is thus continually drawn in such large quantities from their coffers, cannot be employed in the circulation of the country. It comes in place of a paper which is over and above what can be employed in that circulation, and is therefore over and above what can be employed in it too. But as that coin will not be allowed to lie idle, it must, in one shape or another, be sent abroad, in order to find that profitable employment which it cannot find at home; and this continual exportation of gold and silver, by enhancing the difficulty, must necessarily enhance still further the expense of the bank, in finding new gold and silver in order to replenish those coffers, which empty themselves so very rapidly. Such a company, therefore, must, in proportion to this forced increase of their business, increase the second article of their expense still more than the first.

Natural Consequences of Inflation.

Let us suppose that all the paper of a particular bank, which the circulation of the country can easily absorb and employ, amounts exactly to £40,000, and that for answering occasional demands this bank is obliged to keep at all times in its coffers £10,000 in gold and silver. Should this bank attempt to circulate £44,000, the £4,000 which are over and above what the circulation can easily absorb and employ will return upon it almost as fast as they are issued. For answering occasional demands, therefore, this bank ought to keep at all times in its coffers, not £11,000 only, but £14,000. It will thus gain nothing by the interest of the £4,000 excessive circulation; and it will lose the whole expense of continually collecting £4,000 in gold and silver, which will be continually going out of its coffers as fast as they are brought into them.

Had every particular banking company always understood and attended to its own particular interest, the circulation never could have been overstocked with paper money. But every banking company has not always understood its own particular interest, and the circulation has frequently been overstocked with paper money.

By issuing too great a quantity of paper, of which the excess was continually returning in order to be exchanged for gold and silver, the Bank of England was for many years together obliged to coin gold to the extent of between £800,000 and £1,000,000 a year; or, at an average, about £850,000. For this great coinage the bank (in consequence of the worn and degraded state into which the gold coin had fallen a few years ago) was frequently obliged to purchase gold bullion at the high price of £4 an ounce, which it soon after issued in coin at £3 17s. 10½d. an ounce, losing in this manner between two and a half and three per cent. upon the coinage of so very large a sum. Though the bank therefore paid no seigniorage, though the government was properly at the expense of the coinage, this liberality of government did not prevent altogether the expense of the bank.

The Scotch banks, in consequence of an excess of the same kind, were all obliged to employ constantly agents at London to collect money for them, at an expense which was seldom below one and a half or two per cent. This money was sent down by the wagon, and insured by the carriers at an additional expense of three-quarters per cent., or fifteen shillings on the hundred pounds. Those agents were not always able to replenish the coffers of their employers so fast as they were emptied. In this case the resource of the bank was to draw upon their correspondents in London bills of exchange to the extent of the sum which they wanted. When those correspondents afterwards drew upon them for the payment of this sum, together with the interest and a commission, some of those banks, from the distress into which their excessive circulation had thrown them, had sometimes no other means of satisfying this draught but by drawing a second set of bills either upon the same, or upon some other correspondents in London; and the same sum, or rather bills for the same sum, would in this manner make sometimes more than two or three journeys: the debtor bank paying always the interest and commission upon the whole accumulated sum. Even those Scotch banks which never distinguished themselves by their extreme imprudence were sometimes obliged to employ this ruinous resource.

The gold coin which was paid out either by the Bank of England, or by the Scotch banks, in exchange for that part of their paper which was over and above what could be employed in the circulation of the country, being likewise over and above what could be employed in that circulation, was sometimes sent abroad in the shape of coin, sometimes melted down and sent abroad in the shape of bullion, and sometimes melted down and sold to the Bank of England at the high price of four pounds an ounce. It was the newest, the heaviest and the best pieces only which were carefully picked out of the whole coin, and either sent abroad or melted down. At home, and while they remain in the shape of coin, those heavy pieces were of no more value than the light; but they were of more value abroad, or when melted down into bullion at home. The Bank of England, notwithstanding their great annual coinage, found to their astonishment that there was every year the same scarcity of coin as there had been the year before; and that notwithstanding the great quantity of good and new coin which was every year issued from the bank, the state of the coin, instead of growing better and better, became every year worse and worse. Every year they found themselves under the necessity of coining nearly the same quantity of gold as they had coined the year before, and from the continual rise in the price of gold bullion, in consequence of the continual wearing and clipping of the coin, the expense of this great annual coining became every year greater. The Bank of England, it is to be observed, by supplying its own coffers with coin, is indirectly obliged to supply the whole kingdom, into which coin is continually flowing from those coffers in a great variety of ways. Whatever coin, therefore, was wanted to support this excessive circulation both of Scotch and English paper money, whatever vacancies this excessive circulation occasioned in the necessary coin of the kingdom, the Bank of England was obliged to supply them. The Scotch banks, no doubt, paid all of them very dearly for their own imprudence and inattention. But the Bank of England paid very dearly, not only for its own imprudence, but for the much greater imprudence of almost all the Scotch banks.

The over-trading of bold projectors in the United Kingdom has been the original cause of this excessive circulation of paper money.

What a bank can with propriety advance to a merchant or undertaker of any kind, is not either the whole capital with which he trades, or even any considerable part of that capital; but that part of it only which he would otherwise be

obliged to keep by him unemployed, and in ready money, for answering occasional demands. If the paper money which the bank advances never exceeds this value, it can never exceed the value of the gold and silver which would necessarily circulate in the country if there was no paper money; it can never exceed the quantity which the circulation of the country can absorb and employ.

Discounts only to Supply Fluctuating Demand for Currency.

When a bank discounts to a merchant a real bill of exchange drawn by a real creditor upon a real debtor, and which, as soon as it becomes due, is really paid by that debtor, it only advances to him a part of the value which he would otherwise be obliged to keep by him unemployed and in ready money for answering occasional demands. The payment of the bill, when it becomes due, replaces to the bank the value of what it had advanced, together with the interest. The coffers of the bank, so far as its dealings are confined to such customers, resemble a water-pond, from which, though a stream is continually running out, yet another is continually running in, fully equal to that which runs out; so that, without any further care or attention, the pond keeps always equally, or very nearly equally, full. Little or no expense can ever be necessary for replenishing the coffers of such a bank.

A merchant, without over-trading, may frequently have occasion for a sum of ready money, even when he has no bills to discount. When a bank, besides discounting his bills, advances him likewise upon such occasions such sums upon his cash account, and accepts of a piecemeal repayment as the money comes in from the occasional sale of his goods, upon the easy terms of the banking companies of Scotland, it dispenses him entirely from the necessity of keeping any part of his stock by him unemployed, and in ready money for answering occasional demands. When such demands actually come upon him, he can answer them sufficiently from his cash account. The bank, however, in dealing with such customers, ought to observe with great attention whether in the course of some short period (of four, five, six, or eight months, for example) the sum of the repayments which it commonly receives from them is, or is not, fully equal to that of the advances which it commonly makes to them. If within the course of such short periods, the sum of the repayments from certain customers is, upon most occasions, fully equal to that of the advances, it may safely continue to deal with such customers. Though the stream which is in this case continually running out from its coffers may be very large, that which is continually running into them must be at least equally large; so that without any further care or attention those coffers are likely to be always equally or very nearly equally full; and scarce ever to require any extraordinary expense to replenish them. If, on the contrary, the sum of the repayments from certain other customers falls commonly very much short of the advances which it makes to them, it cannot with any safety continue to deal with such customers, at least if they continue to deal with it in this manner. The stream which is in this case continually running out from its coffers is necessarily much larger than that which is continually running in; so that unless they are replenished by some great and continual effort of expense, those coffers must soon be exhausted altogether.

The banking companies of Scotland, accordingly, were for a long time very careful to require frequent and regular repayments from all their customers, and did not care to deal with any person, whatever might be his fortune or credit, who did not make what they called frequent and regular operations with them. By this attention, besides saving almost entirely the extraordinary expense of replenishing their coffers, they gained two other very considerable advantages.

Advantages of This.

I. By this attention they were enabled to make some tolerable judgment concerning the thriving or declining circumstances of their debtors, without being obliged to look out for any other evidence besides what their own books afforded them; men being for the most part either regular or irregular in their payments, according as their circumstances are either thriving or declining. A private man who lends out his money to perhaps half a dozen or a dozen of debtors, may, either by himself or his agents, observe and inquire both constantly and carefully into the conduct and situation of each of them. But a banking company which lends money to perhaps five hundred different people, and of which the attention is continually occupied by objects of a very different kind, can have no regular information concerning the conduct and circumstances of the greater part of its debtors beyond what its own books can afford it. In requiring frequent and regular repayments from all their customers, the banking companies of Scotland had probably this advantage in view.

II. By this attention they secured themselves from the possibility of issuing

more paper money than what the circulation of the country could easily absorb and employ. When they observed that within moderate periods of time the repayments of a particular customer were upon most occasions fully equal to the advances which they had made to him, they might be assured that the paper money which they had advanced to him, had not at any time exceeded the quantity of gold and silver which he would otherwise have been obliged to keep by him for answering occasional demands; and that, consequently, the paper money which they had circulated by his means, had not at any time exceeded the quantity of gold and silver which would have circulated in the country had there been no paper money. The frequency, regularity and amount of his repayments would sufficiently demonstrate that the amount of their advances had at no time exceeded that part of his capital which he would otherwise have been obliged to keep by him unemployed and in ready money for answering occasional demands; that is, for the purpose of keeping the rest of his capital in constant employment. It is this part of his capital only which, within moderate periods of time, is continually returning to every dealer in the shape of money, whether paper or coin, and continually going from him in the same shape. If the advances of the bank had commonly exceeded this part of his capital, the ordinary amount of his repayments could not, within moderate periods of time, have equaled the ordinary amounts of its advances. The stream which, by means of his dealings, was continually running into the coffers of the bank, could not have been equal to the stream, which by means of the same dealings, was continually running out. The advances of the bank paper, by exceeding the quantity of gold and silver which, had there been no such advances, he would have been obliged to keep by him for answering occasional demands, might soon come to exceed the whole quantity of gold and silver which (the commerce being supposed the same) would have circulated in the country had there been no paper money; and consequently to exceed the quantity which the circulation of the country could easily absorb and employ; and the excess of this paper money would immediately have returned upon the bank in order to be exchanged for gold and silver. This second advantage, though equally real, was not perhaps so well understood by all the different banking companies of Scotland as the first.

Banks vs. Private Bankers

When, partly by the conveniency of discounting bills, and partly by that of cash accounts, the creditable traders of any country can be dispensed from the necessity of keeping any part of their stock by them unemployed and in ready money for answering occasional demands, they can reasonably expect no farther assistance from banks and bankers, who, when they have gone thus far, cannot, consistently with their own interest and safety, go farther. A bank cannot consistently with its own interest, advance to a trader the whole or even the greater part of the circulating capital with which he trades; because, though that capital is continually returning to him in the shape of money, and going from him in the same shape, yet the whole of the returns is too distant from the whole of the outgoings, and the sum of his repayment could not equal the sum of its advances within such moderate periods of time as suit the conveniency of a bank. Still less could a bank afford to advance him any considerable part of his fixed capital; of the capital which the undertaker of an iron forge, for example, employs in erecting his forge and smelting-house, his workhouses and warehouses, the dwelling-houses of his workmen, etc.; of the capital which the undertaker of a mine employs in sinking his shafts, in erecting engines for drawing out the water, in making roads and wagon-ways, etc.; of the capital which the person who undertakes to improve land employs in clearing, draining, manuring and plowing waste and uncultivated fields, in building farmhouses, with all their necessary appendages of stables, granaries, etc. The returns of the fixed capital are in almost all cases much slower than those of the circulating capital; and such expenses, even when laid out with the greatest prudence and judgment, very seldom return to the undertaker till after a period of many years, a period by far too distant to suit the conveniency of a bank. Traders and other undertakers may, no doubt, with great propriety, carry on a very considerable part of their projects with borrowed money. In justice to their creditors, however, their own capital ought, in this case, to be sufficient to ensure, if I may say so, the capital of these creditors; or to render it extremely improbable that those creditors should incur any loss, even though the success of the project should fall very much short of the expectation of the projectors. Even with this precaution, too, the money which is borrowed, and which it is meant should not be repaid till after a period of several years, ought not to be borrowed of a bank, but ought to be borrowed upon bond or mortgage, of such private people as propose to live upon the interest of their money, without taking the trouble themselves to employ the capital; and who are willing to lend

that capital to such people of good credit as are likely to keep it for several years. A bank which lends its money without the expense of stamped paper, or of attorneys' fees for drawing bonds and mortgages, and which accepts of repayment upon the easy terms of the banking companies of Scotland, would, no doubt, be a very convenient creditor to such traders and undertakers. But such traders and undertakers would surely be most inconvenient debtors to such a bank.

EVASION OF CONSERVATIVE RULES.

It is now more than five-and-twenty years since the paper money issued by the different banking companies of Scotland was fully equal, or rather was somewhat more than fully equal, to what the circulation of the country could easily absorb and employ. Those companies, therefore, had so long ago given all the assistance to the traders and other undertakers of Scotland which it is possible for banks and bankers, consistently with their own interest, to give. They had even done somewhat more. They had over-traded a little, and had brought upon themselves that loss, or at least that diminution of profit, which in this particular business never fails to attend the smallest degree of over-trading. Those traders and other undertakers, having got so much assistance from banks and bankers, wished to get still more. The banks, they seem to have thought, could extend their credits to whatever sum might be wanted, without incurring any other expense besides that of a few reams of paper. They complained of the contracted views and dastardly spirit of the directors of those banks, which did not, they said, extend their credits in proportion to the extension of the trade of the country; meaning, no doubt, by the extension of that trade, the extension of their own projects beyond what they could carry on, either with their own capital, or with what they had credit to borrow of private people in the usual way of bond or mortgage. The banks, they seem to have thought, were in honor bound to supply the deficiency, and to provide them with all the capital which they wanted to trade with. The banks, however, were of a different opinion, and upon their refusing to extend their credits, some of those traders had recourse to an expedient which, for a time, served their purpose, though at a much greater expense, yet as effectually as the utmost extension of bank credits could have done. This expedient was no other than the well-known shift of drawing and re-drawing; the shift to which unfortunate traders have sometimes recourse when they are upon the brink of bankruptcy. The practice of raising money in this manner had long been known in England, and during the course of the late war, when the high profits of trade afforded a great temptation to over-trading, is said to have been carried on to a very great extent. From England it was brought into Scotland, where, in proportion to the very limited commerce, and to the very moderate capital of the country, it was soon carried on to a much greater extent than it ever had been in England. The practice of drawing and re-drawing is so well known to all men of business that it may perhaps be thought unnecessary to give an account of it. But as this book may come into the hands of many people who are not men of business, and as the effects of this practice upon the banking trade are not, perhaps, generally understood even by men of business themselves, I shall endeavor to explain it as distinctly as I can.

Drawing and Re-drawing.

The customs of merchants, which were established when the barbarous laws of Europe did not enforce the performance of their contracts, and which during the course of the two last centuries have been adopted into the laws of all European nations, have given such extraordinary privileges to bills of exchange that money is more readily advanced upon them than upon any other species of obligation; especially when they are made payable within so short a period as two or three months after their date. If, when the bill becomes due, the acceptor does not pay it as soon as it is presented, he becomes from that moment a bankrupt. The bill is protested, and returns upon the drawer, who, if he does not immediately pay it, becomes likewise a bankrupt. If, before it came to the person who presents it to the acceptor for payment, it had passed through the hands of several other persons, who had successively advanced to one another the contents of it, either in money or goods, and who, to express that each of them had in his turn received those contents, had all of them in their order endorsed, that is, written their names upon the back of, the bill; each endorser becomes in his turn liable to the owner of the bill for those contents, and if he fails to pay, becomes from that moment a bankrupt. Though the drawer, acceptor and endorsers of the bill should, all of them, be persons of doubtful credit, yet still the shortness of the date gives some security to the owner of the bill. Though all of them may be very likely to become bankrupts, it is a chance if all become so in so short a time. "The house is crazy," says a weary

traveller to himself, "and will not stand very long; but it is a chance if it falls to-night, and I will venture, therefore, to sleep in it to-night."

Trader A in Edinburgh, we shall suppose, draws a bill upon B in London, payable two months after date. In reality B in London owes nothing to A in Edinburgh; but he agrees to accept of A's bill, upon condition that before the term of payment he shall re-draw upon A in Edinburgh for the same sum, together with the interest and a commission, another bill, payable likewise two months after date. B accordingly, before the expiration of the two months, re-draws this bill upon A in Edinburgh; who again, before the expiration of the second two months, draws a second bill upon B in London, payable likewise two months after date; and before the expiration of the third two months, B in London re-draws upon A in Edinburgh another bill, payable also two months after date. This practice has sometimes gone on, not only for several months, but for several years together, the bill always returning upon A in Edinburgh, with the accumulated interest and commission of all the former bills. The interest was five per cent. in the year, and the commission was never less than one-half per cent on each draught. This commission being repeated more than six times in the year, whatever money A might raise by this expedient must necessarily have cost him something more than eight per cent. in the year, and sometimes a great deal more, when either the price of the commission happened to rise, or when he was obliged to pay compound interest upon the interest and commission of former bills. This practice was called raising money by circulation.

In a country where the ordinary profits of stock in the greater part of mercantile projects are supposed to run between six and ten per cent., it must have been a very fortunate speculation of which the returns could not only repay the enormous expense at which the money was thus borrowed for carrying it on, but afford, besides, a good surplus profit to the projector. Many vast and extensive projects, however, were undertaken, and for several years carried on without any other fund to support them besides what was raised at this enormous expense. The projectors, no doubt, had in their golden dreams the most distinct vision of this great profit. Upon their awaking, however, either at the end of their projects, or when they were no longer able to carry them on, they very seldom, I believe, had the good fortune to find their dreams realized.*

The bills which A in Edinburgh drew upon B in London he regularly discounted two months before they were due with some bank or banker in Edinburgh; and the bills which B in London re-drew upon A in Edinburgh he has regularly discounted either with the Bank of England, or with some other bankers in London. Whatever was advanced upon such circulating bills was, in Edinburgh, advanced in the paper of the Scotch banks, and in London, when they were discounted at the Bank of England, in the paper of that bank. Though the bills upon which this paper had been advanced were all of them repaid in their turn as soon as they became due, yet the value which had been really advanced upon the first bill was never really returned to the banks which advanced it; because, before each bill became due, another bill was always drawn to somewhat a greater amount than the bill which was soon to be paid; and the discounting of this other bill was essentially necessary towards the payment of that which was soon to be due. This payment, therefore, was altogether fictitious. The stream which, by means of those circulating bills of exchange, had once been made to run out from the coffers of the banks, was never replaced by any stream which really ran into them.

* The method described in the text was by no means either the most common or the most expensive one in which those adventurers sometimes raised money by circulation. It frequently happened that A in Edinburgh would enable B in London to pay the first bill of exchange by drawing, a few days before it became due, a second bill at three months' date upon the same B in London. This bill, being payable to his own order, A sold in Edinburgh at par; and with its contents purchased bills upon London, payable at sight to the order of B, to whom he sent them by the post. Towards the end of the late war the exchange between Edinburgh and London was frequently three per cent. against Edinburgh, and those bills at sight must frequently have cost A that premium. This transaction, therefore, being repeated at least four times in the year, and being loaded with a commission of at least one-half per cent. upon each repetition, must at that period have cost A at least fourteen per cent. in the year. At other times A would enable B to discharge the first bill of exchange by drawing, a few days before it became due, a second bill at two months' date; not upon B, but upon some third person, C, for example, in London. This other bill was made payable to the order of B, who, upon its being accepted by C, discounted it with some banker in London; and A enabled C to discharge it by drawing, a few days before it became due, a third bill likewise at two months' date, sometimes upon his first correspondent B, and sometimes upon some fourth or fifth person, D or E, for example. This third bill was made payable to the order of C, who, as soon as it was accepted, discounted it in the same manner with some banker in London. Such operations being repeated at least six times in the year, and being loaded with a commission of at least one-half per cent. upon each repetition, together with the legal interest of five per cent., this method of raising money, in the same manner as that described in the text, must have cost A something more than eight per cent. By saving the exchange between Edinburgh and London, it was less expensive than that mentioned in the foregoing part of this note; but it required an established credit with more houses than one in London, an advantage which many of these adventurers could not always find it easy to procure.

Inflation and Consequences.

The paper which was issued upon those circulating bills of exchange amounted, upon many occasions, to the whole fund destined for carrying on some vast and extensive project of agriculture, commerce or manufactures; and not merely to that part of it which, had there been no paper money, the projector would have been obliged to keep by him, unemployed and in ready money, for answering occasional demands. The greater part of this paper was, consequently, over and above the value of the gold and silver which would have circulated in the country had there been no paper money. It was over and above, therefore, what the circulation of the country could easily absorb and employ, and upon that account immediately returned upon the banks in order to be exchanged for gold and silver, which they were to find as they could. It was a capital which those projectors had very artfully contrived to draw from those banks, not only without their knowledge or deliberate consent, but for some time, perhaps, without their having the most distant suspicion that they had really advanced it.

When two people, who are continually drawing and re-drawing upon one another, discount their bills always with the same banker, he must immediately discover what they are about, and see clearly that they are trading, not with any capital of their own, but with the capital which he advances to them. But this discovery is not altogether so easy when they discount their bills sometimes with one banker, and sometimes with another, and when the same two persons do not constantly draw and re-draw upon one another, but occasionally run the round of a great circle of projectors, who find it for their interest to assist one another in this method of raising money, and to render it, upon that account, as difficult as possible to distinguish between a real and a fictitious bill of exchange; between a bill drawn by a real creditor upon a real debtor, and a bill for which there was properly no real creditor but the bank which discounted it, nor any real debtor but the projector which made use of the money. When a banker had even made this discovery, he might sometimes make it too late, and might find that he had already discounted the bills of those projectors to so great an extent that, by refusing to discount any more, he would necessarily make them all bankrupts, and thus, by ruining them, might perhaps ruin himself. For his own interest and safety, therefore, he might find it necessary, in this very perilous situation, to go on, for some time, endeavoring, however, to withdraw gradually, and upon that account making every day greater and greater difficulties about discounting, in order to force those projectors by degrees to have recourse either to other bankers, or to other methods of raising money; so as that he himself might, as soon as possible, get out of the circle. The difficulties, accordingly, which the Bank of England, which the principal bankers in London, and which even the more prudent Scotch banks began, after a certain time, when all of them had already gone too far, to make about discounting, not only alarmed, but enraged in the highest degree those projectors. Their own distress, of which this prudent and necessary reserve of the banks was, no doubt, the immediate occasion, they called the distress of the country; and this distress of the country, they said, was altogether owing to the ignorance, pusillanimity and bad conduct of the banks, which did not give a sufficiently liberal aid to the spirited undertakings of those who exerted themselves in order to beautify, improve and enrich the country. It was the duty of the banks, they seemed to think, to lend for as long a time and to as great an extent as they might wish to borrow. The bank, however, by refusing, in this manner, to give more credit to those to whom they had already given a great deal too much, took the only method by which it was now possible to save either their own credit or the public credit of the country.

EFFECT OF MORE "LIBERAL" PRACTICES.

In the midst of this clamor and distress a new bank was established in Scotland for the express purpose of relieving the distress of the country. The design was generous; but the execution was imprudent, and the nature and causes of the distress which it meant to relieve, were not, perhaps, well understood. This bank was more liberal than any other had ever been, both in granting cash accounts and in discounting bills of exchange. With regard to the latter, it seems to have made scarce any distinction between real and circulating bills, but to have discounted all equally. It was the avowed principle of this bank to advance, upon any reasonable security, the whole capital which was to be employed in those improvements of which the returns are the most slow and distant, such as the improvements of land. To promote such improvements was even said to be the chief of the public spirited purposes for which it was instituted. By its liberality in granting cash accounts, and in discounting bills of exchange, it, no doubt, issued great quantities of its bank notes. But those bank notes being, the greater part of them,

over and above what the circulation of the country could easily absorb and employ, returned upon it, in order to be exchanged for gold and silver, as fast as they were issued. Its coffers were never well filled. The capital which had been subscribed to this bank at two different subscriptions amounted to £160,000, of which eighty per cent. only was paid up. This sum ought to have been paid in at several different installments. A great part of the proprietors, when they paid in their first installment, opened a cash account with the bank; and the directors thinking themselves obliged to treat their own proprietors with the same liberality with which they treated all other men, allowed many of them to borrow upon this cash account what they paid in upon all their subsequent installments. Such payments, therefore, only put into one coffer what had the moment before been taken out of another. But had the coffers of this bank been filled ever so well, its excessive circulation must have emptied them faster than they could have been replenished by any other expedient but the ruinous one of drawing upon London, and when the bill became due, paying it, together with interest and commission, by another draft upon the same place. Its coffers having been filled so very ill, it is said to have been driven to this resource within a very few months after it began to do business. The estates of the proprietors of this bank were worth several millions, and by their subscription to the original bond or contract of the bank, were really pledged for answering all its engagements. By means of the great credit which so great a pledge gave it, it was, notwithstanding its too liberal conduct, enabled to carry on business for more than two years. When it (*Douglas, Heron & Co., Ayr, £400,000 lost, but all covered by estates of the partners*) was obliged to stop, it had in circulation about £200,000 in bank notes. In order to support the circulation of those notes, which were continually returning upon it as fast as they were issued, it had been constantly in the practice of drawing bills of exchange upon London, of which the number and value were continually increasing, and, when it stopped, amounted to upwards of £600,000. This bank, therefore, had, in little more than the course of two years, advanced to different people upwards of £800,000 at five per cent. Upon the £200,000 which it circulated in bank notes, this five per cent. might, perhaps, be considered as clear gain, without any other deduction besides the expense of management. But upon upwards of £600,000, for which it was continually drawing bills of exchange upon London, it was paying, in the way of interest and commission, upwards of eight per cent. and was consequently losing more than three per cent. upon more than three-fourths of all its dealings.

The operations of this bank seem to have produced effects quite opposite to those which were intended by the particular persons who planned and directed it. They seem to have intended to support the spirited undertakings, for as such they considered them, which were at that time carrying on in different parts of the country; and, at the same time, by drawing the whole banking business to themselves, to supplant all the other Scotch banks, particularly those established at Edinburgh, whose backwardness in discounting bills of exchange had given some offence. This bank, no doubt, gave some temporary relief to those projectors, and enabled them to carry on their projects for about two years longer than they could otherwise have done. But it thereby only enabled them to get so much deeper into debt, so that when ruin came, it fell so much the heavier both upon them and upon their creditors. The operations of this bank, therefore, instead of relieving, in reality aggravated in the long-run the distress which those projectors had brought both upon themselves and upon their country. It would have been much better for themselves, their creditors, and their country, had the greater part of them been obliged to stop two years sooner than they actually did. The temporary relief, however, which this bank afforded to those projectors, proved a real and permanent relief to the other Scotch banks. All the dealers in circulating bills of exchange, which those other banks had become so backward in discounting, had recourse to this new bank, where they were received with open arms. Those other banks, therefore, were enabled to get very easily out of that fatal circle, from which they could not otherwise have disengaged themselves without incurring a considerable loss, and perhaps, too, even some degree of discredit. In the long-run, therefore, the operations of this bank increased the real distress of the country which it meant to relieve; and most effectually relieved from a very great distress those rivals whom it meant to supplant.

At the first setting out of this bank, it was the opinion of some people, that how fast soever its coffers might be emptied, it might easily replenish them by raising money upon the securities of those to whom it had advanced its paper. Experience, I believe, soon convinced them that this method of raising money was by much too slow to answer their purpose; and that coffers which originally were so ill filled, and which emptied themselves so very fast, could be replenished by no other expedient but the ruinous one of drawing bills upon London, and when they be-

came due, paying them by other drafts upon the same place with accumulated interest and commission. But though they had been able by this method to raise money as fast as they wanted it, yet, instead of making a profit, they must have suffered a loss by every such operation; so that in the long-run they must have ruined themselves as a mercantile company, though, perhaps, not so soon as by the more expensive practice of drawing and redrawing. They could still have made nothing by the interest of the paper, which, being over and above what the circulation of the country could absorb and employ, returned upon them, in order to be exchanged for gold and silver, as fast as they issued it; and for the payment of which they were themselves continually obliged to borrow money. On the contrary, the whole expense of this borrowing, of employing agents to look out for people who had money to lend, or negotiating with these people, and of drawing the proper bond or assignment, must have fallen upon them, and have been so much clear loss upon the balance of their accounts. The projects of replenishing their coffers in this manner may be compared to that of a man who had a water-pond from which a stream was continually running out, and into which no stream was continually running, but who proposed to keep it always equally full by employing a number of people to go continually with buckets to a well at some miles distance in order to bring water to replenish the stream.

But though this operation had proved, not only practicable, but profitable to the bank as a mercantile company, yet the country could have derived no benefit from it, but, on the contrary, must have suffered a very considerable loss by it. This operation could not augment in the smallest degree the quantity of money to be lent. It could only have erected this bank into a sort of general loan office for the whole country. Those who wanted to borrow must have applied to this bank instead of applying to the private persons who had lent it their money. But a bank which lends money, perhaps to five hundred different people, the greater part of whom its directors can know very little about, is not likely to be more judicious in the choice of its debtors than a private person who lends out his money among a few people whom he knows, and in whose sober and frugal conduct he thinks he has good reason to confide. The debtors of such a bank as that whose conduct I have been giving some account of, were likely, the greater part of them, to be chimerical projectors, the drawers and redrawers of circulating bills of exchange, who would employ the money in extravagant undertakings, which, with all the assistance that could be given them, they would probably never be able to complete, and which, if they should be completed, would never repay the expense which they had really cost, would never afford a fund capable of maintaining a quantity of labor equal to that which had been employed about them. The sober and frugal debtors of private persons, on the contrary, would be more likely to employ the money borrowed in sober undertakings which were proportioned to their capitals, and which, though they might have less of the grand and the marvelous, would have more of the solid and the profitable, which would repay with a large profit whatever had been laid out upon them, and which would thus afford a fund capable of maintaining a much greater quantity of labor than that which had been employed about them. The success of this operation, therefore, without increasing in the smallest degree the capital of the country, would only have transferred a great part of it from prudent and profitable, to imprudent and unprofitable undertakings.

MR. LAW'S IDEA.

That the industry of Scotland languished for want of money to employ it, was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, which he seems to have imagined might issue paper to the amount of the whole value of all the lands in the country, he proposed to remedy this want of money. The parliament of Scotland, when he first proposed his project, did not think proper to adopt it. It was afterwards adopted, with some variations, by the Duke of Orleans, at that time regent of France. The idea of the possibility of multiplying paper money to almost any extent, was the real foundation of what was called the Mississippi scheme, the most extravagant project of both banking and stock-jobbing that, perhaps, the world ever saw. The different operations of this scheme are explained so fully, so clearly, and with so much order and distinctness, by Mr. Du Verney, in his *Examination of the Political Reflections upon Commerce and Finances* by Mr. Du Tot, that I shall not give any account of them. The principles upon which it was founded are explained by Mr. Law himself in a discourse concerning money and trade, which he published in Scotland when he first proposed his project. The splendid but visionary ideas which are set forth in that and some other works upon the same principles, still continue to make an impression upon many people, and may have contributed to that excess of banking which has of late been complained of both in Scotland and in other places.

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Each number contains a **special discussion** of some Sound Currency question.

The experience of August-September, 1893, was unique. There were no gradually developed plans for mutual assistance. Mutual helpfulness there was in plenty between individuals and localities; but it was in prompt response to sudden appeals; and before any general system could be devised the occasion for it was over. Financial clouds had long been lowering; but it was within a single month that currency famine became general, its worst effects felt, such relief extended as was had, and the crisis over, with a tendency toward a glut of circulating medium.

In other cases nations or communities had simply found themselves thrown upon their own resources. Our people found themselves not merely drained of currency, but forbidden by most carefully drawn statutes to utilize the expedients which would have been most natural and most effective. No civilized nation has ever experienced such a currency famine. None has ever found itself so fettered by positive law in its efforts to resene itself. None ever so promptly rose to the emergency. Never was there so prompt a return to normal conditions.

THE CURRENCY FAMINE OF 1893.

JOHN DEWITT WARNER.

	PAGE
CIRCUMSTANCES THAT PRECEDED THE CRISIS.....	338
GENERAL CONDITIONS.....	338
THE SHERMAN ACT	338
HOARDING OF GOLD IN THE UNITED STATES.....	338
TREASURY EXPEDIENTS.....	339
THE CURRENCY FAMINE.....	339
FAILURE OF NATIONAL BANK CURRENCY SYSTEM.....	340
EMERGENCY CURRENCY.....	341
CLEARING HOUSE CERTIFICATES.....	341
" CLEARING HOUSE CERTIFICATES ".....	342
CERTIFIED CHECKS.....	342
PAY CHECKS.....	342
MISCELLANEOUS EXPEDIENTS.....	343
THE COURSE OF NATIONAL BANK CURRENCY.....	343
RESULTS.....	344
HOW RELIEF CAME.....	344

CIRCUMSTANCES THAT PRECEDED THE CRISIS.

GENERAL CONDITIONS.

The circumstances that preceded the currency famine of 1893 are as yet too recent to be free from controversy as to their causes and consequences. In a general way, however, the situation has already become historic, so that somewhat of an apparently significant succession of facts may properly be noted.

For the ten years preceding 1890, though local disturbances had not been lacking, the commercial, manufacturing and agricultural world as a whole had been enjoying steady prosperity, until the accumulation of raw materials and manufactures was greater than ever before in the world's history; and ten years of prosperity had made general throughout the world that state of mind which prompts borrowers to new enterprises and induces lenders freely to extend credits.

From the beginning of the year 1890, however, growing caution and watchfulness seemed as general as theretofore had been confidence approaching carelessness. The first symptom was generally an attempt to dispose of surplus stocks even at a sacrifice. This brought about a shrinkage of values, which, in its turn, lessened margins and increased the apprehensions of creditors.

On this side of the water a suggestion of the situation is found in the foreclosure during the first six months of 1890 of no less than twenty-one railroad companies, with an aggregate of stock and bonds of \$92,000,000; while the collapse of the Barings in England during the autumn of 1890 called attention to the shrinkage in colonial and South American securities, and to the precarious standing of world famous houses.

THE SHERMAN ACT.

It was just at this time, too, that the agitation for cheap money reached its highest tide in Congress and the Sherman Act became a law. By this, instead of coinage at \$2,000,000 per month, bullion certificates at the rate of \$4,500,000 per month were added to our currency, already out of all proportion to the commercial wants of our people; while free coinage—that is, forced coinage of silver at a par of 16 to 1 of gold—was pressed on every hand, largely by those who confessed their aim to be partial repudiation.

It may be questioned how far this last factor contributed to the gravity of the situation here; there can be no doubt that it increased it. For, just at this time, creditor Europe was forced by her necessities to return in large measure our securities which she had theretofore eagerly taken, and we were thrown more and more upon our own resources for capital wherewith to develop our country. To the flood of our own obligations, thus thrust upon us, were now added those of holders who had become apprehensive of American good faith, and who hastened to realize, even at a sacrifice, before they should be made worse off by the repudiation which some of them thought close at hand.

Again, to the sentimental factors noted there was now added what might almost be termed a physical force, tending to drive gold out of the country, and, through our currency system, draining the treasury as well. Just how much currency the business of a country will absorb at any given moment, it is hard to say; but it is nevertheless certain that when the channels of finance are full, additions will cause them to overflow, and that the overflow will be of that portion which is acceptable elsewhere. As is pretty generally agreed, the growing dullness of business had left our currency superabundant as far back as 1890; while in that year the rate at which depreciated silver was poured into it was increased from \$24,000,000 a year to more than double that rate. The effect was as though water were poured into a measure already filled with oil. The Sherman notes, whose circulation was bounded by national lines, went to the bottom of the measure—that is stayed in this country; the gold, free to move—that is, current everywhere—overflowed to foreign countries.

Another effect now began to be prominent. To a small extent our holders of mortgages (which in this country are usually for short terms, even though intended as permanent investments) promptly secured themselves by requiring renewals under contracts payable in gold; but many lenders—to some extent from individual hesitancy in exacting unusual terms of borrowers, and to some extent from apprehension lest the legislation threatened in many States against such discrimination might prove valid—refused to make or renew time loans, thus forcing a stagnation of enterprise in many directions and in many others a realization of assets under unfavorable circumstances.

HOARDING OF GOLD IN UNITED STATES.

Concurrent with this was developed a disposition to hoard gold and to discriminate in its favor by withholding it from payments. That this was markedly true

in 1893 is universally understood. It seems to have been forgotten in many quarters how much earlier than that year this practice became general; though an inspection of the treasury accounts shows that in September, 1890, the first month after the passage of the Sherman act, the Treasury lost \$38,000,000 of its gold reserve.

June 30, 1890, the net treasury assets were \$255,893,000, of which \$190,232,000 was in gold and gold bullion. A year later similar assets were \$176,459,000, of which \$117,667,000 was in gold and gold bullion—the “free gold,” that is the amount above the \$100,000,000 reserve for greenback redemption, having been reduced during the year from \$90,232,000 to \$17,667,000.

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The circle of investigation is complete for the period. The Treasury was diluting the currency by silver inflation at the rate of \$4,500,000 each month; and at the same time it was rapidly losing power to maintain its parity in gold; while the selection by which gold was retained and silver used for payments to Government indicated that gold was being hoarded outside.

TREASURY EXPEDIENTS.

The National Administration, though doing nothing to avert the crisis, was sensible of its approach. In the spring of 1891 the Treasury by refusing to furnish gold bars, of which it had plenty, practically charged gold exporters one-tenth per cent. premium; at which price during that year they took above \$50,000,000; and during the summer of 1891 the Government attempted to gain gold by selling legal tender Western exchange at a price sixty cents per \$1,000 less than the normal rates, on condition of being paid in gold, some \$12,000,000 of which was promptly thus secured.

Finally, to accelerate the rate at which we were moving toward disaster, the joint effect of the tariff revision of 1890 and the liberal appropriations of the fifty-second Congress had been to turn the late annual surplus, averaging \$110,000,000 per annum for the years 1888–1890, into a deficit which for the year beginning July 1, 1893, amounted to more than \$69,000,000; so that a constantly weaker Treasury faced a steadily increasing responsibility. The time thus rapidly approached when the sole resource to maintain our currency upon a natural basis would be the steadily diminishing gold receipts of the Treasury; which, so far as concerned customs revenues, had shrunk to less than four per cent. in September, 1892, and never again rose above ten per cent. until in the currency famine of 1893 the hoarded gold coin was forced from the bank vaults.

Such was the course along which the Treasury steadily drifted for years, until in February, 1893, the outgoing Administration by private appeal to its friends secured some \$6,500,000 of gold from New York bankers, just in time to enable it, going out on the 4th of March, to escape the breaking of the dam behind which for years it had seen the waters steadily piling.

As the Cleveland Administration settled into its place the flood was still rising, though not faster than had been the case for months previous. But soon the actual impairment of the \$100,000,000 Treasury gold reserve showed the water trickling over the levee, and on every side each weak spot seemed about to give way.

THE CURRENCY FAMINE.

For years liquidation had been progressing, and really solvent institutions had been contracting their loans and centralizing their resources, so that they were never better buttressed; but the same process of liquidation had drained the weaker ones of their available funds, and left them with holdings of unmerchantable assets, enormous in the aggregate, which the first break would throw upon an already overburdened market. The very air was charged with ruin. In April, 1893, business failures reported by *Bradstreet's* were 905, as compared with 703 in the same month of 1892; in May there were 969, as compared with 680 the May previous, and by June not merely had the ratio of disaster further increased above the average, but all over the country, especially in the West, the banks were breaking. Up to May 9th the number of bank suspensions had not been extraordinary—only eleven of National banks during the preceding six months—but on that date the Chemical National Bank of Chicago closed its doors; on the 11th the Columbia National Bank of the same city and the Capital National Bank of Indianapolis

came due, paying them by other drafts upon the same place with accumulated interest and commission. But though they had been able by this method to raise money as fast as they wanted it, yet, instead of making a profit, they must have suffered a loss by every such operation; so that in the long-run they must have ruined themselves as a mercantile company, though, perhaps, not so soon as by the more expensive practice of drawing and redrawing. They could still have made nothing by the interest of the paper, which, being over and above what the circulation of the country could absorb and employ, returned upon them, in order to be exchanged for gold and silver, as fast as they issued it; and for the payment of which they were themselves continually obliged to borrow money. On the contrary, the whole expense of this borrowing, of employing agents to look out for people who had money to lend, or negotiating with these people, and of drawing the proper bond or assignment, must have fallen upon them, and have been so much clear loss upon the balance of their accounts. The projects of replenishing their coffers in this manner may be compared to that of a man who had a water-pond from which a stream was continually running out, and into which no stream was continually running, but who proposed to keep it always equally full by employing a number of people to go continually with buckets to a well at some miles distance in order to bring water to replenish the stream.

But though this operation had proved, not only practicable, but profitable to the bank as a mercantile company, yet the country could have derived no benefit from it, but, on the contrary, must have suffered a very considerable loss by it. This operation could not augment in the smallest degree the quantity of money to be lent. It could only have erected this bank into a sort of general loan office for the whole country. Those who wanted to borrow must have applied to this bank instead of applying to the private persons who had lent it their money. But a bank which lends money, perhaps to five hundred different people, the greater part of whom its directors can know very little about, is not likely to be more judicious in the choice of its debtors than a private person who lends out his money among a few people whom he knows, and in whose sober and frugal conduct he thinks he has good reason to confide. The debtors of such a bank as that whose conduct I have been giving some account of, were likely, the greater part of them, to be chimerical projectors, the drawers and redrawers of circulating bills of exchange, who would employ the money in extravagant undertakings, which, with all the assistance that could be given them, they would probably never be able to complete, and which, if they should be completed, would never repay the expense which they had really cost, would never afford a fund capable of maintaining a quantity of labor equal to that which had been employed about them. The sober and frugal debtors of private persons, on the contrary, would be more likely to employ the money borrowed in sober undertakings which were proportioned to their capitals, and which, though they might have less of the grand and the marvelous, would have more of the solid and the profitable, which would repay with a large profit whatever had been laid out upon them, and which would thus afford a fund capable of maintaining a much greater quantity of labor than that which had been employed about them. The success of this operation, therefore, without increasing in the smallest degree the capital of the country, would only have transferred a great part of it from prudent and profitable, to imprudent and unprofitable undertakings.

MR. LAW'S IDEA.

That the industry of Scotland languished for want of money to employ it, was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, which he seems to have imagined might issue paper to the amount of the whole value of all the lands in the country, he proposed to remedy this want of money. The parliament of Scotland, when he first proposed his project, did not think proper to adopt it. It was afterwards adopted, with some variations, by the Duke of Orleans, at that time regent of France. The idea of the possibility of multiplying paper money to almost any extent, was the real foundation of what was called the Mississippi scheme, the most extravagant project of both banking and stock-jobbing that, perhaps, the world ever saw. The different operations of this scheme are explained so fully, so clearly, and with so much order and distinctness, by Mr. Du Verney, in his *Examination of the Political Reflections upon Commerce and Finances* by Mr. Du Tot, that I shall not give any account of them. The principles upon which it was founded are explained by Mr. Law himself in a discourse concerning money and trade, which he published in Scotland when he first proposed his project. The splendid but visionary ideas which are set forth in that and some other works upon the same principles, still continue to make an impression upon many people, and may have contributed to that excess of banking which has of late been complained of both in Scotland and in other places.

SOUND CURRENCY.

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Each number contains a **special discussion** of some Sound Currency question.

The experience of August-September, 1893, was unique. There were no gradually developed plans for mutual assistance. Mutual helpfulness there was in plenty between individuals and localities; but it was in prompt response to sudden appeals; and before any general system could be devised the occasion for it was over. Financial clouds had long been lowering; but it was within a single month that currency famine became general, its worst effects felt, such relief extended as was had, and the crisis over, with a tendency toward a glut of circulating medium.

In other cases nations or communities had simply found themselves thrown upon their own resources. Our people found themselves not merely drained of currency, but forbidden by most carefully drawn statutes to utilize the expedients which would have been most natural and most effective. No civilized nation has ever experienced such a currency famine. None has ever found itself so fettered by positive law in its efforts to rescue itself. None ever so promptly rose to the emergency. Never was there so prompt a return to normal conditions.

THE CURRENCY FAMINE OF 1893.

JOHN DEWITT WARNER.

	PAGE
CIRCUMSTANCES THAT PRECEDED THE CRISIS.....	338
GENERAL CONDITIONS.....	338
THE SHERMAN ACT.....	338
HOARDING OF GOLD IN THE UNITED STATES.....	338
TREASURY EXPEDIENTS.....	339
THE CURRENCY FAMINE.....	339
FAILURE OF NATIONAL BANK CURRENCY SYSTEM.....	340
EMERGENCY CURRENCY.....	341
CLEARING HOUSE CERTIFICATES.....	341
" CLEARING HOUSE CERTIFICATES ".....	342
CERTIFIED CHECKS.....	342
PAY CHECKS.....	342
MISCELLANEOUS EXPEDIENTS.....	343
THE COURSE OF NATIONAL BANK CURRENCY.....	343
RESULTS.....	344
HOW RELIEF CAME.....	344

CIRCUMSTANCES THAT PRECEDED THE CRISIS.

GENERAL CONDITIONS.

The circumstances that preceded the currency famine of 1893 are as yet too recent to be free from controversy as to their causes and consequences. In a general way, however, the situation has already become historic, so that somewhat of an apparently significant succession of facts may properly be noted.

For the ten years preceding 1890, though local disturbances had not been lacking, the commercial, manufacturing and agricultural world as a whole had been enjoying steady prosperity, until the accumulation of raw materials and manufactures was greater than ever before in the world's history; and ten years of prosperity had made general throughout the world that state of mind which prompts borrowers to new enterprises and induces lenders freely to extend credits.

From the beginning of the year 1890, however, growing caution and watchfulness seemed as general as theretofore had been confidence approaching carelessness. The first symptom was generally an attempt to dispose of surplus stocks even at a sacrifice. This brought about a shrinkage of values, which, in its turn, lessened margins and increased the apprehensions of creditors.

On this side of the water a suggestion of the situation is found in the foreclosure during the first six months of 1890 of no less than twenty-one railroad companies, with an aggregate of stock and bonds of \$92,000,000; while the collapse of the Barings in England during the autumn of 1890 called attention to the shrinkage in colonial and South American securities, and to the precarious standing of world famous houses.

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year; the almost frenzied efforts of the National banks were utterly futile in bringing material assistance until after the crisis had passed; and the result of their attempt to aid us has been to keep an increased volume of National bank currency outstanding, while the amount of unemployed currency was greater than it had ever been before, at the highest point it has reached for five years. And this is not all. The law permits but \$3,000,000 contraction monthly in any event. It will not be possible, therefore, to get back to a normal basis before the annual stringency due next September.

RESULTS.

Throughout New England, so generally that it may be deemed to have characterized its manufacturing centers; in so many portions of the South that it might be considered general there; in the West and in the Northwest; sporadically in the Middle States, the necessity for local currency developed at once a supply of it; and, where this was not the case, from city after city comes the word of how unfortunate were those who, not assisted by the enterprise of others, had none of their own to fall back upon. There is one general exception to be made—an exception which, however, proves the rule. It is this:

To the precise extent that—either by the use of clearing house certificates within the law, or by the violation of law in continuing discounts when their reserves were depleted—the banks of any section thus met the emergency, their customers and the community dependent upon them were relieved from the necessity which so generally came upon others of providing a special local currency. It was the New York banks that issued the greatest amount of clearing house certificates, and at the same time continued to assist their customers, even while their reserves were depleted; and, therefore, it was in the neighborhood of New York and her own great manufacturing establishments, in those of Newark, of Brooklyn, and of Long Island City, that it was unnecessary to look further for a supply of the currency they needed. The same was the case in Philadelphia, Chicago, Boston and their neighborhoods, in each of which cases either clearing house certificates, or loans of clearing house credits, enabled strong banks to aid weak ones. But in every case where the associated banks of a section were not in a position to supply the lack of currency or obviate the necessity of its use, individuals and corporations were compelled to do this.

In this, way after the machinery so carefully adjusted by Government had utterly failed to work, the business common sense of our people readjusted its finances; and in every part of the land business started up again, manufacture continued, the laborer received his hire, and the merchant disposed of his goods. In not an instance, so far as I have been able to learn, did any community find any trouble in the use of what, in the absence of all restrictive laws, would have been—and what in defiance of them actually was—a perfectly natural bank-note currency. The whole American people promptly accepted—each locality upon its knowledge or the conditions there—the paper of individuals and institutions. And as a result of this experience—most widespread, and had under conditions least favorable to security other than the integrity of those who issued the notes, and the intelligence of those who were asked to accept them—there was not a single dollar lost.

Such was the honorable record of the emergency currency of 1893.

HOW RELIEF CAME.

By September 1st, 1893, the passage by the House of the repeal of the purchasing clause of the Sherman Act had both stopped inflation and quieted the worst apprehensions; and to \$30,000,000 additional national bank currency and the volume of the emergency currency noted, which can be but vaguely estimated at \$80,000,000, was already being added the \$40,000,000 of gold which had been purchased in Europe for import hitherto. The panic collapsed as suddenly as it had been blown up; and, with dull business conditions for a year to come, the currency proved excessive.

With accession of confidence among the masses the petty hoards were returned to the savings banks or paid out to merchants, and by them used to swell their bank credits; so that from \$1,450,000,000 in October 1, 1893, the aggregate deposits in National banks alone rose to \$1,529,000,000, December 19, 1894; \$1,586,000,000, February 2, 1894; \$1,671,000,000, May 4, 1894; \$1,678,000,000, July 18, 1894, and \$1,728,000,000, October 2, 1894. The emergency currency gave no trouble. By the process of natural redemption it disappeared so promptly that before the end of the year specimens became curiosities.

Such was the crisis of 1893, a situation brought about by the wanton interference of Government with business not its own; aggravated by legislation which had to be broken before the people could help themselves; relieved by enterprise overriding and evading restrictive law; and turned into a theme for the gayety of nations by the grotesque exhibition thus afforded of how depraved was the elaborate bank note currency system, upon which had been lavished so much of thankless labor.

No. 724

10,000.

Loan Committee of the Boston Clearing House Association.

Baron,

This Certifies, That the

has deposited with this Committee securities in accordance with the proceedings of a meeting of the Association, held June 26, 1893, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of Ten Thousand Dollars, from any member of the Clearing House Association.

On the surrender of this Certificate by the depositing Bank above named, the Committee will endorse the amount as a payment on the obligation of said Bank, held by them, and surrender a proportionate share of the collateral securities held therefor.

\$10,000.

TEN THOUSAND DOLLARS.

Committee

0096 9600

5000.

Clearing House Committee of the Philadelphia Banks.

Orlando, Fla.,

THIS CERTIFIES, that the

has deposited with this Committee, securities in accordance with the agreement of a Meeting of Bank Officers, held September 24, 1873. This Certificate will be received during the continuance of said agreement and of any renewals of the same, in payment of balances at the Clearing House, for the sum of **FIVE THOUSAND DOLLARS**, only from a Member of the Clearing House Association, to whom the same may have been issued, or to whom it may be endorsed by the Manager of the Clearing House.

On the surrender of this Certificate by the Depositing Bank above named, the Committee will endorse the amount as a payment on the obligation of said Bank held by them, and surrender a proportionate amount of the collateral securities, except in case of default on the part of said Bank in its transactions through the "Clearing House Association of Philadelphia."

COMMITTEE.

LOAN CERTIFICATE.

320,000.

Loan Committee of the New York Clearing House Association.

New York, 1893.

This Certificate, that the _____ has deposited with this Committee, securities in accordance with the proceedings of a Meeting of the Association, held June 15th, 1893, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of TWENTY THOUSAND DOLLARS, from any Member of the Clearing House Association.

On the surrender of this Certificate by the depositing Bank above named, the Committee will endorse the amount as a payment on the obligation of said Bank, held by them, and surrender a proportionate share of the collateral securities held therefor.

+ \$20,000. +

Committee.

its

Loan Committee of the Pittsburgh Clearing House Association.

Page 320

— 1593.

This Certifies, that the
 and deposited with this Committee securities as aforesaid with the proceedings of a Meeting
 of the Association, held August 4th, 1893, upon which this Certificate is issued. This
 Certificate will be received in payment of balances at the Clearing House for the sum of
 Ten Thousand Dollars, from any Member of the Clearing House Association.

On the surrender of this Certificate by the depositing Bank or the assignee named, the Committee will endorse the amount as a payment on the obligation of said Bank, held by them, and surrender a proportionate share of the collateral securities held therefor.

8100.

Committees.

Ten Thousand Dollars.

Five Thousand Dollars.

No. 498

Loan Committee of the

\$5000.

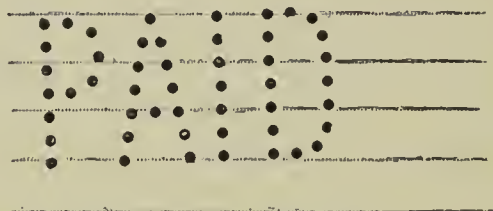
Bankers Association of Buffalo.

Buffalo, N.Y. 1892

This Certifies that the _____
has deposited with this Committee securities in accordance with the proceedings of a Meeting of the Association held January 22nd, 1890, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of Five Thousand Dollars from any Member of the Clearing House Association.

On the surrender of this Certificate by the Depositing Bank above named the Committee will endorse the amount as a payment on the obligation of said Bank held by them, and surrender a proportionate share of the collateral securities held therefor.

\$5000.



COMMITTEE

BALTIMORE CLEARING HOUSE.

No. 341

Baltimore Clearing House,

Baltimore, _____

This is to Certify:

That the _____ has deposited
with the Committee appointed by the Associated Banks on _____
Approved Securities, which are held as a Special Deposit to secure the redemption of this
Certificate in compliance with resolutions adopted by said Banks on the day above named.

This Certificate will be received for the sum of SIX THOUSAND DOLLARS, without
endorsement, in settlement of balances resulting from the exchanges between the Banks,
will bear interest at the rate of six per cent. per annum until redeemed, and will be
negotiable only between the Associated Banks

\$6000.

Register.

No. _____

LOAN COMMITTEE

\$5,000.

OF THE

New Orleans Clearing House Association.

New Orleans, _____, 189

This Certifies, That the _____
has deposited with the Committee, Securities in accordance with the proceedings of
a meeting of the Association, held _____, upon which THIS CERTIFICATE
is issued. This Certificate will be received in payment of balances resulting from
the exchanges at the Clearing House, for the sum of _____
from any member of the CLEARING HOUSE ASSOCIATION.

Committee

No. _____

Loan Committee of the

Detroit Clearing House Association

\$5,000

Detroit, Mich. _____

This Certifies that
has deposited with this Committee securities in accordance with the
proceedings of a meeting of the Association held _____
upon which this certificate is issued.
This certificate will be received in payment of balances at the
Clearing House for the sum of FIVE THOUSAND DOLLARS from any
member of the Clearing House Association

On surrender of this certificate by
the Depositing Bank above named,
the Committee will endorse the amount
as a payment on the obligation of
said Bank held by them and surrender
a proportionate part of the collateral
securities held therefor.



Committee

FIVE THOUSAND DOLLARS

No. **Atlanta Clearing House Association Certificate** **500**

SERIES A.

ATLANTA, GA.

This Certifies That the Banks composing the Atlanta Clearing House Association have deposited with the undersigned Trustees of said Clearing House Association securities to the value of SEVEN HUNDRED AND FIFTY DOLLARS, to secure to the bearer hereof the payment of the sum of **FIVE HUNDRED DOLLARS** in lawful money of the United States, payable on or before first day of January, 1894. This Certificate is issued in accordance with the proceedings of a meeting of said Association, held on the fifteenth day of August, 1893, and will be received on deposit or in payment of debts due any Bank in said Clearing House.

TRUSTEES.

No. **1** **Columbia Clearing House Association, CERTIFICATE.** **50**

COLUMBIA, S. C., August 19th, 1893.

This Certifies, that the Banks composing the "COLUMBIA CLEARING HOUSE ASSOCIATION" have deposited with the undersigned Trustees of said Clearing House Association, securities of the approved value of Seventy-Five $\frac{1}{10}$ Dollars, to secure to the bearer hereof the sum of **FIFTY DOLLARS** in lawful money of the United States, payable on or before the First day of January, 1894.

This Certificate is issued in accordance with the proceedings of the "COLUMBIA CLEARING HOUSE ASSOCIATION," at a meeting thereof held on the 19th day of August, 1893; and is receivable for any and all dues to the Banks which are members of said Association, and is also receivable on deposit in any of said Banks, and also in settlement of all balances due from one of said Banks to another.

COUNTERSIGNED,

Secretary

Trustees.

WALKER, EVANS & COGSWELL, CO. 151903

CLEARING HOUSE CERTIFICATE **5**

OF THE **ASSOCIATED BANKS OF ROCK HILL S.C.** **6057**

SEPT. 4th 1893.

This Certifies, that the FIRST NATIONAL BANK OF ROCK HILL, S.C. and the SAVINGS BANK OF ROCK HILL, S.C. have deposited with this Committee securities in accordance with the proceedings of a meeting of the Association, held September 4, 1893, upon which this Certificate is issued. This Certificate will be received in payment of balances at the Clearing House for the sum of **FIVE DOLLARS** from any member of the CLEARING HOUSE ASSOCIATION.

In the surrender of this Certificate by the depositing Banks above named, the Committee will endorse the amount as a payment on the obligation of said Banks held by them and surrender a proportionate share of the relative securities held by them.

Countersigned by

Committee

The First National Bank of Rock Hill, S.C.
The Savings Bank of Rock Hill, S.C.
J. M. Miller Cashier
J. M. Miller Cashier

\$10.00. CLEARING CERTIFICATE No. 1

Of the Associated Banks, of Danville, Va.

Danville, Virginia, August 14th, 1893.

Any of the Banks, whose names are printed below, will pay to bearer, on demand, **TEN DOLLARS**, ninety days after the above date, with interest at the rate of 6 per cent. per annum.

THIS CERTIFICATE is negotiable and payable at any of these Banks. Interest will cease 90 days from the above named date. The payment of this certificate is secured by the combined capital of these Banks; also by collateral worth one third more than all the certificates issued.

The following 6 Banks are formally bound for the payment of this paper: Planters National Bank; Commercial Bank; Merchants Bank; Danville Savings Bank Loan and Improvement Co.; Border Grange Bank; Citizens Savings Bank.

SEC'Y AND TREAS OF THE ASSOCIATION.

No. 27

\$1000.

Birmingham Clearing House Certificate.

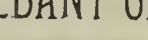

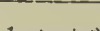
Birmingham, Ala. _____, 1893.

This Certifies that the _____ Bank,
of Birmingham, Ala., has deposited with the undersigned Committee of the Birmingham
Clearing House, securities to the value of Two Thousand Dollars, to secure to the bearer
hereof the payment of the sum of **ONE THOUSAND DOLLARS** in lawful money
of the United States, payable at any time after ninety days from date hereof.
This Certificate will be received or deposit by any Bank or Banker of the Birmingham
Clearing House at par.

J. N. Dixon
J. M. Gresham
B. F. Brinkley

Committee.

ROBERTS & SON, PRINTERS, BIRMINGHAM.

ALBANY CLEARING HOUSE CERTIFICATE.		\$10.
ALBANY, - - - - GEORGIA.		
		<i>Albany, Ga., August 29th, 1893.</i>
THIS CERTIFIES, That the FIRST NATIONAL BANK , of Albany, Ga., has deposited with the undersigned officers of the Albany Clearing House, securities of the value of Twenty Dollars for the payment of the sum of		
<div style="border: 1px solid black; padding: 10px; text-align: center;">TEN DOLLARS</div>		
To said bank or bearer in lawful money of the United States, at Six Months from date, or earlier, at option of said bank. But no Certificate is to be issued bearing date later than January 1st, 1894. This Certificate will be received on deposit by any bank or banker belonging to the Clearing House Association of Albany at par at any time before its maturity.		
Sec'y.		Pres't.

\$1.00.° Chester Clearing House Association \$1.00

CERTIFICATE.

CHESTER, S. C. E 1903. No. 377

This Certifies, that the Banks composing the "CHESTER CLEARING HOUSE ASSOCIATION" have deposited with the undersigned Trustees of said Clearing House Association, securities of the approved value of Two Dollars, to secure to the bearer hereof the sum of

ONE DOLLAR

lawful money of the United States, payable on or before four months after date.

This Certificate is issued in accordance with the proceedings of the "CHESTER CLEARING HOUSE ASSOCIATION" meeting, thereof held on the 31st day of August, 1903; and is receivable for any and all dues to the Banks which are members of said Association, and are also receivable on deposit by either of said Banks, and also in settlement of all balances due from one of said Banks to the other.

J. H. Hester
J. B. Hester
J. B. Hester

TRUSTEES.

ENTERPRISE PRINT, CHESTER, S. C.

No. 423 \$100.00

Birmingham Clearing House Certificate.

Birmingham, Ala. _____ 1893.

This Certifies that the _____ Bank, of Birmingham, Ala., has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of Two Hundred Dollars, to secure to the bearer hereof the payment of the sum of **ONE HUNDRED DOLLARS** in lawful money of the United States, payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

R. D. Johnston
J. M. Nixon
J. B. Cobb
E. A. Wilson
R. J. Foster

Committee.

ROBERTS & SON, PRINTERS, BIRMINGHAM.

No. _____ \$50.00

Birmingham Clearing House Certificate.

Birmingham, Ala. _____ 1893.

This Certifies that the _____ Bank, of Birmingham, Ala., has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of One Hundred Dollars, to secure to the bearer hereof the payment of the sum of **FIFTY DOLLARS** in lawful money of the United States, payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

Committee.

ROBERTS & SON, PRINTERS, BIRMINGHAM.

No. 719 \$10.00

Birmingham Clearing House Certificate.

Birmingham, Ala. _____ 1893.

This Certifies that the _____ Bank, of Birmingham, Ala., has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of Twenty Dollars, to secure to the bearer hereof the payment of the sum of **TEN DOLLARS** in lawful money of the United States, payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

COUNTERSIGNED _____

R. D. Johnston
J. M. Nixon
J. B. Cobb
E. A. Wilson
R. J. Foster

Committee.

Verifying Name with the Birmingham Clearing House.

CASHIER

No. 2144 \$5.00

Birmingham Clearing House Certificate.

Birmingham, Ala. _____ 1893.

This Certifies that the _____ Bank, of Birmingham, Ala., has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of Ten Dollars, to secure to the bearer hereof the payment of the sum of **FIVE DOLLARS** in lawful money of the United States, payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

COUNTERSIGNED _____

R. D. Johnston
J. M. Nixon
J. B. Cobb
E. A. Wilson
R. J. Foster

Committee.

Verifying Name with the Birmingham Clearing House.

CASHIER

No. A 2927 \$2.00

Birmingham Clearing House Certificate

Birmingham, Ala., _____ 1893

This Certifies that the _____ Bank, of Birmingham, Ala. has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of **FOUR DOLLARS**, to secure to the bearer hereof the payment of the sum of **TWO DOLLARS**, in lawful money of the United States payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

COUNTERSIGNED _____

Committee

CASHIER

No. A 7649 \$1.00

Birmingham Clearing House Certificate

Birmingham, Ala., _____ 1893

This Certifies that the _____ Bank, of Birmingham, Ala. has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of **TWO DOLLARS**, to secure to the bearer hereof the payment of the sum of **ONE DOLLAR**, in lawful money of the United States payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

COUNTERSIGNED _____

Committee

CASHIER

1/2 50c

BIRMINGHAM CLEARING HOUSE CERTIFICATE

No. 7569 Birmingham, Ala. 1893

This Certifies that the _____ Bank, of Birmingham, Ala., has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of **ONE DOLLAR**, to secure to the bearer hereof the payment of the sum of **FIFTY CENTS**, in lawful money of the United States, payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

COUNTERSIGNED _____

COMMITTEE

CASHIER

1/4 25c

BIRMINGHAM CLEARING HOUSE CERTIFICATE

No. 7274 Birmingham, Ala. 1893

This Certifies that the _____ Bank, of Birmingham, Ala., has deposited with the undersigned Committee of the Birmingham Clearing House, securities to the value of **FIFTY CENTS**, to secure to the bearer hereof the payment of the sum of **TWENTY-FIVE CENTS**, in lawful money of the United States, payable at any time after ninety days from date hereof.

This Certificate will be received on deposit by any Bank or Banker of the Birmingham Clearing House at par.

COUNTERSIGNED _____

COMMITTEE

CASHIER

Secured by Approved Collaterals <i>Wm. G. Hester</i> <i>Wm. B. Norton</i> <i>W. J. Thompson</i>	TRUSTEES	LITTLE ROCK, ARK. <i>Aug 18</i> 1893.
	GOOD FOR <i>One</i> Dollars payable in cash on demand. EXCHANGE NATIONAL BANK.	Exchange National Bank
PAY TO BEARER \$ <i>1.00</i>		
DOLLARS.		<i>Th. Lafferty</i>

THE MARINE BANK. CAPITAL, \$200,000. SURPLUS, \$600,000. PAY-ROLL CHECK.	\$5.	BUFFALO, _____ 1893.
	No. 1352	MARINE BANK
	Pay to Bearer <u>FIVE DOLLARS</u> through the Buffalo Clearing House and charge to pay-roll account of	
	Certified by The Marine Bank of Buffalo.	
		Asst. Cashier.

Accepted, available for deposit only, in this Bank; or payable at the Importers' & Traders' National Bank, New York, through the New York Clearing House.

No. 11801 Danbury, Conn., September 8th, 1893.
Danbury National Bank.

PAY TO THE BEARER

FIVE DOLLARS, _____ \$5.00

Seattle, Wash.	1893, No. 1751
The Puget Sound National Bank	
Pay to <i>P. C.</i>	or bearer, \$ 5.00
<i>Five</i>	Dollars

copy



\$1.00 New Bedford Manufacturing Co.

PAY ROLL ACCOUNT.

New Bedford, Massachusetts, August 10th, 1893.

Pay to the order of

One Dollar,

and charge that amount to the account of New Bedford Manufacturing Co.

To the National Bank of Commerce,
New Bedford, Mass.

Wm. L. Hayward Treasurer.
Geo. H. Haskell

Providence, R.I. Aug. 10, 1893 189 No. 1101

Rhode Island National Bank

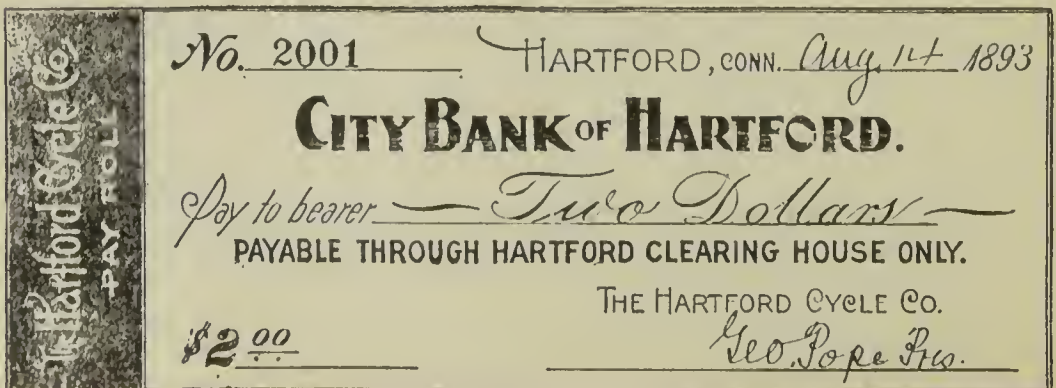
Payable only through \$ Ten
Clearing House.

Ten Dollars

SOCIAL MANUF'G. CO.

Signed by the Treas.

TREASURER



Arnold Print Works.

\$10.00

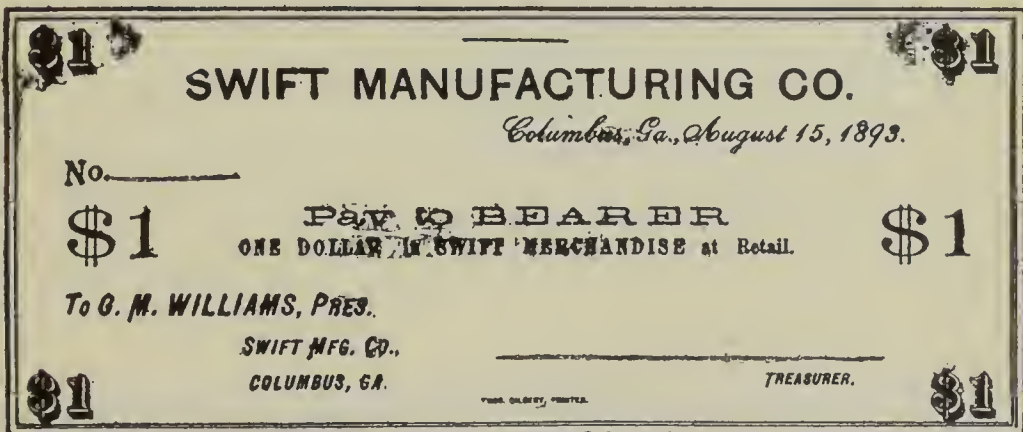
North Adams, Mass., August 15, 1893.

To either of the MERCHANTS or TRADESMEN of North Adams, Please deliver to the Bearer, GOODS CREDIT OR MONEY to the value of **TEN DOLLARS** and this Order will be received on Deposit or Collected by any Bank in Town

And where you etc..

ARNOLD PRINT WORKS.

Treas.



Star Hall
 Please give H. F. Lee - for
 five dollars & charge the same to me. Payable
 Dec-1/93
 \$5.00
 John Lee

Glennville July 21/93

CERTIFICATE OF DEPOSIT

THE MIDDLE GEORGIA BANK,

OF EATONTON, GA.

No. 400 Eatonton, Ga. 1893

Bank ~~has~~ **ONE** ~~has~~ deposited in this **Dollars**

payable to Bearer ~~from date~~

RECEIVABLE AT ANY TIME FOR ALL DEBTS DUE THIS BANK.

S. R.

CASHIER PRESIDENT

BANK OF EEBERTON

CERTIFICATE

Eberton, Ga. September 22, 1893

has deposited in this Bank **FIVE DOLLARS**, payable on or before

Five Dollars

deposit payable in kind.

Vice-President Cashier

THIS IS TO CERTIFY, THAT THERE HAS BEEN DEPOSITED IN THIS BANK FIVE DOLLARS, PAYABLE TO THE BEARER OF THIS CERTIFICATE, IN CURRENT FUNDS FOUR MONTHS FROM DATE.

CHATTANOOGA, TENN. AUG. 19, 1893.

SOUTH CHATTANOOGA SAVINGS BANK.

By *W. E. Lester*

THIS CERTIFICATE WILL BE RECEIVED ON DEPOSIT, OF ANY DEBT OR OBLIGATION TO THE

- FIRST NATIONAL BANK,
THIRD NATIONAL BANK,
CHATTANOOGA NATIONAL BANK,
SOUTH CHATTANOOGA SAVINGS BANK:
- CITIZENS BANK & TRUST CO.,
WIEHL, PROBASCO & CO.,
CHATTANOOGA SAVINGS BANK,

THIS CERTIFICATE IS SECURED BY THE DEPOSIT OF APPROVED SECURITIES IN THE HANDS OF T. G. MONTAGUE, PRESIDENT FIRST NATIONAL BANK, AS CUSTODIAN TO GUARANTEE THE AMOUNT ALL SUCH CERTIFICATES.

G. A. Tucker
MANAGER,
CHATTANOOGA CLEARING HOUSE ASSOCIATION.

\$1

Pay to the order of *Spokane School*

\$1.00

Counter-signed _____ Secretary _____ President Board of Education _____

SCHOOL YEAR ENDING JUNE 30, 1894

MOUNT VERNON SHINGLE SCRIPT.

No. 27
\$5.00

Mount Vernon, Wash., July 14th 1893

Due to *Red Cedar Shingle Company* or Order

Five Dollars, to be paid out of the proceeds of shipment of shingles made *July 14th 1893*, by said *Red Cedar Shingle Company* being Car No. *46948*, containing *205 1/4* Thousand of Shingles, the shipping bill of which has been assigned to me.

This is one of a series of like instruments, each amounting to 75 per cent. of the purchase price of said shingles. My liability hereto extends only to said proceeds and in no case less than said 75 per cent. is received by me, then this obligation to be paid pro rata with balance of said series.

C. Moody Trustee.

\$1.00

Tacoma, Wash. SEP 18 1893 No. 115

By order of the
CITY COUNCIL OF THE CITY OF TACOMA
The Treasurer of said City will pay

to the *Tacoma Bituminous Paving Company, or Bearer*
the sum of **ONE DOLLAR**

from the PACIFIC AVENUE "from the Center line of South Seventeenth Street to 320 feet South of the Center line of South Twenty Fourth Street" IMPROVEMENT FUND. — On Contract.

COUNTERSIGNED
S. Slaughter City Controller.

J. T. Lee President Council.
A. J. Smith City Clerk.

FIVE Minneapolis Minn. Sept 1st 1893 **\$5.00**

ON DEMAND WE PROMISE TO PAY TO BEARER

FIVE DOLLARS.

FOR GRANN PURCHASED. THIS OBLIGATION IS GOOD ONLY WHEN COUNTERSIGNED BY GRAMSDEN TREASURER AND IS PAYABLE AT THE SWEDISH AMERICAN BANK MINNEAPOLIS, MINN.

MINNEAPOLIS & NORTHERN ELEVATOR CO.

No. *By Chas. A. Gramsden* President.

COUNTERSIGNED
C. W. Ainsworth
Minneapolis & Northern Elevator Co.

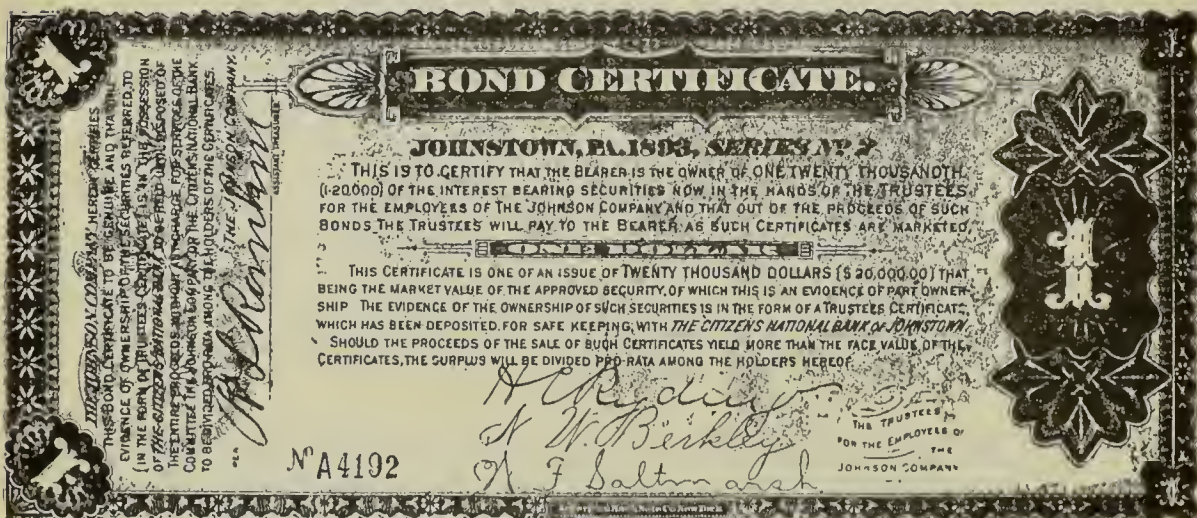
Richmond Locomotive & Machine Works.

\$1 Richmond, Virginia, August 12th 1893.

On demand, Sixty days after date the Richmond Locomotive & Machine Works promises to pay to Bearer **One Dollar** with interest at six per cent per annum from date. This obligation is issued for Wages due.

No. 239 Richmond Locomotive & Machine Works.
W. S. Johnson Treasurer.

Sept 1st 1893



ONE DOLLAR.

The Loomis & Hart Mfg. Co.
Chattanooga, Tennessee, Aug 19th 1893.

On demand at any time after ninety days from date
we promise to pay to bearer ONE DOLLAR,
with interest at 6 per cent. per annum, interest to cease
after six months from date. This note is given in payment
of wages due W. Wood

The Loomis & Hart Mfg Co
By H. G. Gahagan
Treasurer

PAY-ROLL CHECK.

SOUND CURRENCY.

PUBLISHED BY THE SOUND CURRENCY COMMITTEE OF THE REFORM CLUB.

Publication Office, No. 52 William St., New York City.

Vol. II., No. 7.

NEW YORK, MARCH 1, 1895.

} SUBSCRIPTION, \$1.00.
} SINGLE COPIES, 10 CENTS.

Each number contains a **special discussion** of some Sound Currency question.

The question, What is money? may seem as puzzling as Pilate's famous question, "What is truth?" but the puzzle in both cases is about words, not things. Invert the questions and apply them to some actual case. Is a certain thing true? Is a certain thing money? Straightway the puzzle vanishes and we know how to seek out answers. Truth is established by evidence; money is recognized by its ability to perform certain functions. Will it buy things, or hire persons or property, or pay debts? If it will do all these things exactly as they are done by what is undoubtedly money, then the coin or note in question is money. The community may not be wise in accepting certain things as money and becoming dependent upon them, but that is a very different matter.

THE PEOPLE'S MONEY.*

W. L. TRENHOLM.

	PAGE
I. INDUSTRY, COMMERCE, FINANCE AND THE PEOPLE.....	358
II. CASH AND CREDIT.....	359
III. MONEY.....	360
IV. NATURAL BASIS OF MONEY.....	362
V. INDUSTRIAL BASIS OF MONEY.....	362
VI. LAW AS A BASIS OF MONEY.....	363
VII. CONFIDENCE AS A BASIS OF MONEY.....	364
VIII. DEFINITENESS AND STABILITY OF VALUE, THE ESSENTIAL QUALITIES OF MONEY.....	366
IX. THE MONETARY UNIT.....	367
X. LEGAL TENDER.....	370
XI. THE MATERIAL AND FORM OF MONEY.....	370
XII. PAPER MONEY.....	372
XIII. TREASURY-NOTE, OR DUE-BILL CIRCULATION.....	373
XIV. BANK-NOTE CIRCULATION.....	374
XV. THE BALANCE OF TRADE.....	378
XVI. THE VOLUME OF MONEY.....	379
XVII. VALUE.....	383
XVIII. THE STANDARD OF VALUE.....	384
XIX. THE GOLD STANDARD.....	386

* This pamphlet is published by the courtesy of Charles Scribner's Sons, owners of the copyright and publishers of "The People's Money," by W. L. Trenholm, New York, 1893, of which the discussion here given is but an abstract.

THE PEOPLE'S MONEY.

No apology is necessary for the attempt to condense for general distribution Mr. Trenholm's thorough work, which is not merely the latest of its kind, but has been made even more timely by the events of the last year than it was at the date of its publication.

I.—INDUSTRY, COMMERCE, FINANCE, AND THE PEOPLE.

This is essentially an industrial age, and in no country of the world is industry more universal or more varied than it is in the United States. Here nearly everybody is either an industrial worker, with brain or sinew, or is maintained by some such worker.

So many million industrial workers could not be employed profitably and constantly were it not for what Adam Smith termed "the division of labor," but what may be termed, more accurately, perhaps, in our day, "the specialization of employments." It is because the employments of modern industry have become varied and specialized that each worker is able to find continuous occupation in producing something or doing something beyond what is adapted to his own use or needs.

Communities industrially organized as ours is, on the principle of the specialization of employments, consist almost wholly of individuals who are dependent from day to day upon trade and commerce to carry on that ceaseless interchange by which alone each converts what he has, but does not want, into what he wants, but lacks. Trade and commerce effect the interchange of industrial products and services by the use of money, or its substitute, credit.

From the commercial point of view money is a receipt for value and an order for value, both in one. Commerce deals wholly in services and commodities, and it employs money or credit simply as the medium or vehicle by means of which these values are exchanged one for another. Finance, on the other hand, deals in money and credit as values in themselves distinct from their function of representing, and so conveying, value in other things.

Between commerce and finance the only common term, into which all their relations may be resolved is value, because value is the only quality common to all the objects dealt in by commerce and finance respectively; that is to say, on the one hand, services and commodities; on the other, money and credit.

Prices form the connecting link between commerce and finance; for the price of a service or of a thing is the expression of its money equivalent at the time and place of its passing from one person to another.

Two forces are in ceaseless operation, compelling activity in both the commercial and financial worlds, and these forces are demand and supply. Commercial demand springs from the wants of mankind; commercial supply flows from the universality of productive industry. Financial demand arises out of the need for capital in productive industry and in the operations by which trade and commerce are incessantly administering supplies to demand; and financial supply is furnished by accumulated capital in the form of money or credit.

Thus finance and commerce together adjust prices to services and commodities upon a basis of comparative values; and, by means of prices, each man knows how much his own talents and energies will enable him to command in the products of the energies and talents of others. Prices are invariably expressed in money, and hence money, besides being the medium of exchange, is also the general measure of values.

It is because of its function as a measure of value, or more obviously a gauge of prices, that the money we use becomes of immense consequence to us. The little cash we ordinarily have about our persons may be in any form that passes current, because that suffices to make it a medium of exchange; but whether we handle any money at all or not, whether we ever see money or not, makes not the least difference in our absolute dependence upon whatever money is in use as the measure of values or gauge of prices at the time and place at which we live and work.

The industrial state in which we live places us all under contract to the world's commerce to deliver all we can produce, and to take in exchange all we consume, both to be measured by money. In other words, it is the dollar's worth and not the dollar itself that on the one hand we work for, and that on the other hand we enjoy in recompense for our efforts.

Every industrial worker has a right to honest money, and to be assured that his work is going to be paid for in dollars of identically the same value as the dollars

he is compelled to pay out for what he consumes. So important is it that money should be permanent in value that in all civilized countries the regulation of it is one of the prerogatives of sovereignty, and history shows that there is hardly any prerogative of which the intelligent and provident exercise is so far-reaching in its effects. Under our Constitution, Congress alone possesses the power to "regulate the value of money," and this power is exercised by means of the coinage and currency laws which establish what shall be money.

History records many instances of a currency becoming depreciated, and in every instance the laboring classes, small traders, professional men, farmers, and the like, have been the chief victims. These persons constitute the bulk of every community, and they seldom have the knowledge, skill, or opportunity to protect themselves from loss from a depreciating currency: while merchants whose transactions are on a large scale, bankers and capitalists in large cities, not only possess the knowledge which enables them to detect signs of approaching depreciation, but they have also the skill and opportunity to enrich themselves under the very conditions which are ruinous to all other classes.

Reason and history alike prove conclusively that money liable to depreciation is bad money for the people at large. The longer it circulates at full value the worse and more wide-spread will be the evils manifesting themselves as soon as its defects are revealed, and sooner or later a defective currency will surely be detected and become depreciated.

II.—CASH AND CREDIT.

Everybody is familiar with the terms "Cash and Credit," as ordinarily used and understood. In cash transactions delivery and payment are simultaneous, while in credit transactions payment is more or less deferred. Accepting this distinction for the present, let each reader reckon up how much in coins, bills and notes, *i. e.*, actual money, passes out of or into his hands in connection with his business, his investments and his household and personal expenditures; then let him compute what amounts are represented by checks, collections or payments by others, offsets in accounts, etc., and he will be surprised to find how small a proportion the former amount bears to the latter.

If anyone, after making these computations, will compare results with two other persons, one whose aggregate receipts and expenditures are greater, and another in whose case the amounts are less than in his, he will find that the more a man receives and pays the smaller is the percentage of actual money handled by him. The immense transactions in stocks, exchange and merchandise at New York, London and other great centres, are all settled by checks, and these checks are settled again through clearing-houses, so that very little money passes even in the final adjustment of balances.

From these considerations, and others of a like nature, it is apparent that in every community the poorer classes handle more actual money than the richer classes, a fact not generally recognized, because we are accustomed to think and speak of money being owned, paid and received in a great many cases in which no money at all is either possessed or handled.

If your bank account shows a balance in your favor you say you have so much money in bank, while in truth you have no money in bank. The moment the teller receives your deposit and enters its amount in your pass-book, that moment the money you have handed him ceases to be yours and becomes the money of the bank.

This entry in the pass-book represents, as due from the bank, a sum of money equal to that deposited, not the same money, but its equivalent, and this sum may be fitly denominated "money at credit."

Although money at credit is now generally called "cash," still, strictly speaking, the term "cash" is applicable only to money, and all transactions rest on credit, except those balanced by a payment in cash at the moment the transaction is made. It is important to observe this distinction, for most readers will be astonished to find how immense is the preponderance, both in numbers and amount, of credit over cash transactions in every community, and how greatly the use of credit economizes the use of money.

It will also surprise many to discover that as a general thing those who give credit are more numerous than those who receive it, and that the aggregate wealth of all the creditors in a community is generally less than that of all the debtors.

Every tradesman who charges goods to his customers is their creditor for the amount charged, and they are his debtors. Every person working for wages or salary, who is not paid in advance, gives his employer credit, and his employer is debtor, for the amount of compensation earned up to the moment of payment.

Every depositor in a bank, savings or otherwise, is a creditor of that institution, and every banknote is evidence of debt due by the bank to the holder of the note.

Wealth is the basis of credit, and the richer the man the more he is able to borrow.

It is evident, therefore, that there is a wide-spread popular error as to which are the creditor and which are the debtor classes of the community, an error hurtful to the masses chiefly, because it deceives them as to the extent of their interest in the monetary system of the country.

A correct understanding of facts leads to these conclusions :

1st. Since money and money-at-credit are habitually regarded as identical, and are used indiscriminately in cash settlements, the theory of a *per capita* supply of currency lacks the foundation usually assumed to underlie it.

2d. Credit represents money-value, not actual cash in hand, nor money-at-credit; and its use enormously extends the sphere of trade and commerce.

3d. Credit economizes the use of money by affording time for the same coins, notes, etc., to go about from hand to hand, from bank to bank, and even from city to city, settling successively an immense number of accounts; it also obviates the use of money altogether in the numberless cases in which credits are offset and balanced, one against the other.

4th. Credit accomplishes all this through the instrumentality of bookkeeping, checks, drafts, bills of exchange, banks of deposit, clearing-houses and other similar appliances.

5th. These appliances (the banks, etc.) bring the use of credit within reach not only of large commercial and financial operators, but of most people in easy circumstances throughout the United States, thus leaving the bulk of the actual money in the country for the exclusive use of those who are too poor or too little known to obtain or to utilize credit.

The farmers are, in one sense, the great creditor class. The crop and the stock are debtors to the farmer not only for the capital invested, but also for the value of all labor bestowed upon them by the farmer and his family. The farmers, therefore, are vitally interested in our money laws, for there is a long time between sowing and reaping, and the farmer needs to collect from the produce of his fields and flocks and herds as good money as he puts into these investments.

III.—MONEY.

The question: What is money? may seem as puzzling as Pilate's famous question: "What is truth?" but the puzzle in both cases is about words, not things. Invert the questions and apply them to some actual case. Is a certain thing true? Is a certain thing money? Straightway the puzzle vanishes and we know how to seek out answers. Truth is established by evidence; money is recognized by its ability to perform certain functions. Will it buy things, or hire persons or property, or pay debts? If it will do all these things exactly as they are done by what is undoubtedly money, then the coin or note in question is money. The community may not be wise in accepting certain things as money and becoming dependent upon them, but that is a very different matter. We are not yet considering what the material and form of money ought to be.

Let us next inquire: What is the function or office of money?

However far the collection and comparison of facts may be carried, all the inferences from them will be found to coincide in establishing the *primary* functions of money to be these:

1st. To pass from one person to another in exchange for property or in recompense for labor or services.

2d. To measure the value of whatever is obtainable by purchase, hire or other form of money payment.*

These two functions of money characterize it in every land, and have always characterized it. When Abraham offered to buy Ephron's field he proposed to "pay the full money it is worth," and when he took possession of his purchase he paid in "money current with the merchant."

Whenever money passes in exchange for property, services, etc., its value is presumed to be equal to that of the thing for which it is exchanged; hence the amount of money paid—the price—becomes the expression of the value of that thing. In this respect a dollar is as absolutely a measure of value as an inch is a measure of length, or as a pound is a measure of weight. In many cases, however values are estimated and expressed in money terms when no money is present, and

* Money has other functions, some evolved out of these, others imposed upon it by law or custom, all of which will be considered hereafter, but for the present our apprehension of the subject will be facilitated and kept clear by confining attention to what is simple and familiar.

some persons have found a difficulty in understanding how these can be accepted as instances of the measurement of value by money.

Such difficulty will disappear when it is considered that from the constant use of any standard in actual measurements we acquire more or less skill in estimating similar measurements without applying our standard, and since money is by far the most frequently used of all standards of measurement, it is quite natural that there should be fixed in our minds a value-scale marked off in dollars and fractions of a dollar sufficiently accurate to serve ordinary purposes. In these cases, therefore, while we may not actually measure with money all the values we are dealing in, our estimate and acceptance of these values proceeds wholly from belief in the accuracy of our mental value-scale, and accuracy in this case means, of course, conformity with actual money values. The fact is that money performs its function of measuring values chiefly through the medium of computation.

The weight of the earth has been ascertained, and that of some of the planets; yet no balance could hold them. In like manner one may accurately estimate values and express them in dollars, even though he may never have had dollars enough to exchange for even a fraction of such values.

In various parts of the world money is of different substances and forms; but what gives to every form of money all the force it has, what can alone confer upon anything the power to pass unquestioned from hand to hand, exchanging and measuring values, is the confidence and consent of the people among whom it circulates. Except for the settlement of contracts, the payment of debts, and the discharge of public dues, the power of the government to prescribe a currency is absolutely limited by the acquiescence of the people, and stability in the purchasing power of such currency depends from day to day upon the continuance of that acquiescence.

In countries where the laws do not prescribe any particular form of money, the money in use depends for its force entirely upon conventional recognition, and this is always found sufficient.

To facilitate interchange of values and to measure such values may be regarded as the natural functions of money, but in most civilized countries it has another function, which is artificial and established by law, viz., that of a legal tender in payment of taxes and in discharge of debt. Debt is a product of civilization; it can arise only where credit exists. Taxation is also peculiar to civilization; it is the civilized and orderly form of levying contributions for the support of the State.

Since, therefore, taxes and debt exist only under conditions which presuppose an organized society and the prevalence of law, we find money invested with the functions of a legal tender only by positive enactment. As the law defines debt and enforces its payment, the law must say what is sufficient payment; as the law levies taxes and requires them to be paid in money, the law must instruct the citizen as to what the medium of payment is to be.

It is evident that popular confidence and consent are not in any degree necessary to the support of a legal-tender currency. Within its sphere of discharging debts and satisfying the demands of the government, a legal-tender currency exists by force of law alone.

Putting together the results of our inquiries up to this point, we get this definition:

Money is a conventionally recognized and generally accepted medium of exchange and measure of value; it is also, by force of law, a medium for the settlement of contracts and debts, and for the discharge of public dues.

We all know that the gold in an eagle is worth more than the silver in ten standard dollars, and much more than that in twenty half-dollars, forty quarters, etc., while bank-notes and greenbacks have but little intrinsic value; yet it is a matter of daily experience that ten dollars in one of these forms is precisely equivalent, for the ordinary purposes of money, to the same sum in any other form; that is, all our dollars are of equal money force.

It is evident, therefore, that the character of money is not conferred upon a coin by intrinsic value only, nor upon a note or bill by fully secured representative value, but coins and notes and bills become money only when invested with that character by some power competent to give them general currency in the community.

Since money alone is universally accepted in exchange for whatever is to be disposed of, everybody knows that it is with money alone that he may buy what he likes; hence he will accept only money for what he has to sell, and since the need to sell is quite as coercive as the need to buy, he who has money may command anything that is for sale. So, too, the need of being hired is quite as pressing as the need to hire; hence money commands services as well as things.

The compulsion of taxation and of debt applies almost universally, so that the

industrial need of money, imperative of itself, is augmented by the pressure of taxation and by the incessant accretion of interest. So universal are the forces compelling men in all conditions of life to obtain money, that there is a universal demand for it, and he who has it possesses a wide choice as to how he shall spend it, while neither property nor commodities, services nor the creations of intellect, can procure desired objects unless first parted with for money.

IV.—NATURAL BASIS OF MONEY.

As civilization has progressed money has become more definite in form and each form more precise and constant in value. Numerous substances have served as money at different times and in different places, which shows that the need of money was felt and that efforts were made to supply that need before the qualities of any particular substance, such as gold or silver, suggested the idea of that substance being made into money.

The idea which thus found expression was begotten of the need of having a medium of exchange, something that would be generally valued alike by everybody, and the first use of money must have been to facilitate barter, because barter was the only method of exchange or trade known, or even practicable, before money came into general use.

Money was probably at the very first used only as a make-weight in bartering and trading; the "boot," as we call it now. It may be imagined that when bartering and "trading" became close, some article of general acceptability was added to the less valuable of the two things under exchange, so as to equalize the values received by the parties to the barter. Naturally the best substance for this would be one in general use and easily divisible without loss of value, and also of rare occurrence as a natural product; hence salt, an article of universal consumption; iron, the material of weapons; copper, the material of armor; silver, the material of household utensils, of personal ornament, and of religious vessels; gold, the material of royal and female adornment, came into use as make-weights or "boot."

It was probably a long time before this primitive stage was passed, but at length men must have perceived that if money could stand for a part of the value of a thing, it could stand for its whole value, and thus money in one or the other of its primitive forms came to be a measure of value.

The activity of traffic, increasing from century to century, afforded more frequent opportunities and more numerous inducements to employ money advantageously until, amid the countless industries and dealings of our day, it moves in a million circuits, of which the axes traverse the plane of society in every direction, and cross each other at a thousand points. During the period of this development, from the point at which money was first thrown in as "boot" to close a "trade," down to the point at which we now find it, it gradually came also to be regarded as a measure of value, and everywhere history shows a progression of some sort as to the substance used for money considered as a measure of value.

In every country, and in every race, there was a similar progression, beginning with rude materials of low intrinsic value, and advancing toward finer materials of higher intrinsic value.

There must, therefore, be a natural law governing this progression; a natural law which tends always to establish as the standard of value the material of highest intrinsic value available at the time. If there is such a natural law, it must be still operative, and to its effect we may attribute the steadfast movement of modern nations toward silver as the general standard of value, when copper ceased to be adequate, and now toward gold, when silver is no longer adequate.

V.—INDUSTRIAL BASIS OF MONEY.

Without money trade could never have expanded beyond the limits of barter; without trade, industry could never have become specialized; that which has been called (clumsily enough) the division of labor, could never have taken place. Industry, therefore, depends upon money as a medium for the exchange of its diverse products, and at the present day, in civilized countries, money is assisted in this office by credit in various forms. The use of money as a medium of exchange of the products of industry brings into play also its functions as a measure of value. Every transaction involves an estimation and a comparison of values.

Value is a relation, and more than that, it is a compound relation. It is the relation between a human desire and the object of that desire on the one hand, and on the other, it is a relation between that object and the desire of its possessor with respect to it.

At every point throughout the industrial world the opposing desires and opinions of buyers and sellers, the conflict of interests and purposes as to the dispo-

sition and value of labor, services and commodities, create an incessant contention, out of which, and by means of which, definite results as to value are obtained, and these results are expressed under the designation of price.

Prices are always expressed in money, and values are estimated in money, hence we are accustomed to regard price and value as identical, but they are not so, for price is only the exponent of *estimated value*.

Since money is ordinarily the only measure of value generally accessible, since trade depends at every turn upon measuring values in order to compare them, and since a comparison of values is essential to the exchange of the products of industry, industry itself, and all who live by industry, have a vital interest in money, regarded as a measure of value. They depend upon it absolutely.

Now, whatever is depended upon as a measure of anything, must itself be constant and unchanging in respect to the quality which it is to measure. A measure of length must not be subject to linear contraction and expansion; a measure of weight must not be subject to changes in its own weight; a measure of time must be chronometrically accurate; a measure of force must never show variable results under identical conditions; hence money, as a measure of value, should itself be free from variation in value.

VI.—LAW AS A BASIS OF MONEY.

In communities where society has not yet reached a degree of development which brings it under settled government and written law, local conditions and ideas bring about, in process of time, a general consensus of the people as to the form and value of the money best suited to their use, and what is thus evolved is afterward maintained by custom; but when government is perfected, these matters are more fully provided for by law.

One of the duties thus devolved upon modern government is that of selecting the material of money, prescribing its forms, and fixing its value, and it is in this way, and under these conditions that law is a basis of our money.

Although it may at first seem superfluous for the law to concern itself with what existed before there were law-governed communities, and what would continue to exist if there were neither parliaments nor congresses, mints nor public treasuries, it is not so. Roads, bridges, and ferries have been constructed and used before there were laws providing for their establishment and maintenance, but civilization requires that in populous communities these should be provided and regulated by the public authority. So it is with money. That which suffices for barbarous nations would not satisfy those that are civilized, and in our day the uses of money are much more important and diversified than they have ever been before.

It is obvious that as respects taxes and debts there must be some medium of payment prescribed by the law that imposes the one and sanctions the other, for since the law undertakes to enforce payment in these cases the law alone can fix what shall constitute such payment. But, one may ask, why should the law presume to say what I must take in payment for my labor, my talents, my property, or my land? Why should I not be free to dispose of these as I like, as is done where only natural law prevails? The answer to this is, that every one is free to do so, but since ordinarily none exercise that freedom because it is more convenient to accept the money the Government provides, there is no stock of any other money in the community.

In a later chapter we shall see that when men do not like the money in use, when they do not trust it, that very opinion inflicts loss upon them by causing the money to depreciate on their hands,

Since, therefore, the people individually, or even by voluntary combination in large numbers, cannot sustain a currency not universally trusted, it is evident that in order to command general confidence the value of the money in use must be vouched for by some authority universally known and respected, and in modern nations the government is such an authority, and it vouches for the money by subjecting its coinage or manufacture to the regulation of law.

The framers of the Constitution vested in Congress "the power to coin money, regulate the value thereof, and of foreign coins, and fix the standard of weights and measures."

Another clause provides that "no State shall coin money, emit bills of credit, or make anything but gold and silver coins a tender in payment of debts."

These two clauses of the Constitution vest in the United States Government exclusive control over the money of the people. Congress has placed a very wide construction upon this grant of power, hence it behooves the people to know what limitations are imposed upon its exercise by the natural laws on which the constitutional grant is founded, and by which, therefore, it should be interpreted.

This inquiry is momentous in practical importance, because unless Congress exercises its powers in conformity with natural laws, there will inevitably arise a state of things contravening those laws, and such a situation invariably leads to disaster.

The whole function of government, with respect to money, is limited, first, to establishing by law what shall constitute the general medium of exchange, measure of value, and legal tender for debt and public dues, and, secondly, to protecting this money from variations in value one way or the other.

Sentiment, prejudices, ignorance, vague and ill-digested theories, experiments and shifting expedients, are pernicious in their effects everywhere and always, but when embodied in monetary laws they work evils hard to detect and harder still to cure; they cast a blight upon industry and sow ruin and demoralization broadcast among the people.

VII.—CONFIDENCE AS A BASIS OF MONEY.

All the teachings of history, all the logic of political economy, all the facts of common experience in respect to money, concur in support of the proposition that public confidence can make anything pass as money, and, conversely, that nothing can so pass unless there is confidence in the future continuity of its efficiency as a medium of purchase and payment.

Mistaken confidence, as long it lasts, is quite as effective for this purpose as confidence sagaciously given, and a mistaken withholding or withdrawal of confidence is just as fatal as that which ensues from right reasoning.

It is the province of the law to determine the material of money, to prescribe its form or forms, and to fix its value; but the law cannot make it circulate unless the money itself enjoys the confidence of the people.

Whether any particular form of money is or is not entitled to command this confidence will depend wholly upon how the government exercises its prerogative of regulating money, for the conditions determining public confidence in respect to money arise out of natural laws, which are superior in force to statutes.

There is historical evidence to show that when these conditions are either not all originally present, or have become varied by events, still public confidence in certain forms of money may be won and preserved by the force of the government's credit. In such cases the credit of the government is substituted for the whole or for a part of that intrinsic value which constitutes the natural basis of money, and the degree of confidence thus imparted to any particular form of money depends, of course, upon the degree of the government's credit.

Now, public trust in the government includes three distinct beliefs.

1st. Belief in the good faith of the government; that is, in its purpose to fulfil all obligations expressed and implied in its engagements.

2d. Belief in the stability of the government; that is, that it will continue to have the power to apply the national resources to the fulfilment of its engagements. Stability, under our form of government, implies a settled purpose among the people to require all public obligations to be fulfilled, however local politics may vary.

3d. Belief in the sufficiency of the material resources of the government for fulfilling its engagements.

These three elements, therefore, constitute the substance of government credit, and when they all exist in the highest degree, that credit is generally sufficient to support a portion at least of the monetary circulation.

There is, however, something else wanting to the complete monetary efficiency of any form of money that depends wholly or partially upon government credit, and that is, its convertibility into other money that derives its value wholly from intrinsic qualities.

These being the principles underlying that public confidence which is essential to money as an effective servant of society, let us test them by the experience of our own people, and apply them to the circumstances of the present time.

The money existing in the United States during the last dozen years has been of various kinds; gold coins, silver coins, gold certificates, silver certificates, currency certificates, greenbacks, and National Bank notes, to which are now added "coin notes," issued under the act of July, 1890. Since January 1, 1879, it has all enjoyed equal confidence, that is to say, it has all circulated indiscriminately; has been equally effective in purchasing; has been of uniform, and therefore of interchangeable, value.

Before 1879, however, this was not the case; gold coin and gold certificates then were more valuable than corresponding denominations of greenbacks and National Bank notes.* The reason why greenbacks and National Bank notes were less

* There were no silver dollars at that time and the subsidiary coin being of low intrinsic value and used only for change, is not taken note of here or elsewhere in this treatise.

valuable than gold, before 1879, is because the credit currency did not then stand as high in popular confidence as did gold coins and the gold certificates.

When, however, the government provided for the convertibility of its paper into gold, first, by the Resumption Act, and then by actually getting the gold in hand to effect resumption, the confidence of the people in the greenbacks and National Bank notes rose to the level of their confidence in gold itself. The paper currency came to "par," as the phrase goes.

If we analyze the grounds of this confidence we shall find that it rested on the three distinct beliefs already enumerated, viz.:

1st. Belief in the good faith of the government.

2d. Belief in the stability of the government.

3d. Belief in the means of the government for fulfilling its undertaking to establish and maintain the convertibility of greenbacks into gold.

It will be profitable to follow this instructive episode in our recent monetary experience somewhat in detail.

When the greenbacks, which are the government's due bills, were depreciated, that depreciation was the sign of the government's discredit; the rate of depreciation was the measure of the degree of such discredit.

The Resumption Act, which was passed January 14, 1875, did not raise the greenbacks to par, but the accumulation of \$70,000,000 of gold coin in the Treasury brought the gold premium down, and the negotiation of \$50,000,000 of bonds for \$50,000,000 of gold coin finally extinguished it. The credit of the government was perfected, not by the law, but by the financial operations that rendered resumption practicable.

Now, undoubtedly, the confidence of the foreign bankers who lent the greater part of this \$50,000,000 rested upon their belief in the honesty and intelligence, as well as in the resources of the people of the United States.

It is true that these obligations are but little understood, and that the people of the United States, through their representatives, can break all contracts and invalidate all bonds, while no physical power on earth could coerce the payment of either the principal or interest of the national debt if Congress should refuse, or even should omit to provide for such payment.

The bonds of such a government may seem but slight security for \$50,000,000 of gold coin; but the bankers who took our bonds in 1878 knew that the natural laws of finance gave them a grip upon the people of the United States more sure and more durable than could be secured by the combined fleets and armies of Europe. These natural laws compel every commercial people to sustain the national credit at any sacrifice, and under all circumstances, on peril of intolerable loss. The repudiation of those bonds would cost the people of the United States vastly more than they would gain by extinguishing the debt of \$50,000,000 in that way; it would cost us not less than six times as much, while the mere attempt to repudiate, even if afterward abandoned, would cost us eventually more than \$50,000,000.

Can this be doubted? Consider the effect of discrediting the government of the United States. Let the government lose its credit with the bankers, can it be retained among the people? Surely not. The \$100,000,000 of gold now held as a special redemption fund will be drawn out as fast as greenbacks can be handed in through every aperture of the redemption counters of the Treasury, and then there will remain \$246,000,000 of greenbacks in the hands of the people, and neither gold to redeem them with nor credit with which to get more gold. These will, of course, immediately depreciate, how much is immaterial to our immediate purpose; let us say, only ten per cent. That will take ten per cent. off the purchasing power of \$380,000,000 of silver dollars, \$246,000,000 of greenbacks, \$150,000,000 of Treasury notes of 1890, about \$200,000,000 of National Bank notes [because they are redeemable in greenbacks], making \$976,000,000 of currency, on which ten per cent. is \$97,600,000.

In the last report of the Comptroller of the Currency (December, 1894), deposits of all the State banks and trust companies are estimated at \$1,129,000,000; savings bank deposits, \$1,778,000,000; individual deposits in National Banks, \$1,728,000,000; private bankers' deposits, \$66,000,000. Total debt of the banks, etc., to the people, payable in lawful money, \$4,701,000,000. These deposits would, of course, follow the value of the lawful money in which they are payable. On the \$4,701,000,000 of deposits above shown, the loss would be \$470,100,000; and the loss on currency, as above, would be \$97,600,000; aggregate loss on above items resulting from ten per cent. depreciation of greenbacks, \$567,700,000. Here, then, is the sword held over us. Here is the power that compels us to preserve the credit of our government.

Our circulation now includes: Greenbacks about \$346,000,000; National Bank notes, \$200,000,000; silver dollars and silver and coin certificates outstanding, say \$495,000,000; making the total of paper and silver held up to a parity of value with gold by the credit of the government, \$1,041,000,000.

The entire value of the greenbacks and National Bank notes depends upon credit, while the silver dollars and silver certificates derive more than a fourth of their value from credit. Impair that credit, and for every one per cent. of currency depreciation resulting from its impairment, you will inflict upon the people who are holding the currency, a loss of \$10,410,000; and upon depositors in banks, etc., \$47,010,000; here is a loss, for every one per cent. depreciation of \$57,420,000. If the currency drops to the intrinsic value of 412½ grains of silver to the dollar, now less than 50 cents, that will be a loss of over fifty per cent., or more than \$2,870,000,000, which is more than four times the entire volume of the national bonded debt still unpaid.

Who can doubt that this result will follow upon any act of our government which lets go the gold standard? It cannot be denied that we must have a solid metallic basis of value somewhere for our currency. What is it to be? According to existing laws it must be coins containing either 25.8 grains of gold, or else 412.5 grains of silver 900 fine. There is no standard but these two by which to measure ten dollars in this country, and as these two standards differ in real value, the time will come when we must cleave to the one and forsake the other.

Admit, for the sake of argument merely, that the government can elect to make the silver dollar the standard; dare we encounter the consequences? At present, the standard is gold—gold by force of the statute of February 12, 1873, establishing the dollar of 25.8 grains of gold, nine-tenths fine, as the monetary unit; gold by contract under the Resumption Act of 1875; gold according to the real worth of the \$4,700,000,000 of good money lent by the people to the banks, in the form of deposits, and now owed by the banks to the people in gold; gold by the common understanding and business dealings of the people during the last twenty years. State, municipal, railroad and other corporation bonds, private bonds, notes and contracts, salaries, wages, rents and taxes, are all on a gold basis, placed there in consequence of the popular faith in these solemn enactments by Congress, sanctioned by public acquiescence.

Let Congress say, now, that the standard is the silver dollar, and straightway a loss of \$2,350,000,000 will fall upon those among the people of the United States who have no gold, no foreign exchange, no government bonds, no bank stock.

The people, the masses, who have deposits in the various banks, and who hold the money provided by the government, will have to bear the entire loss. What boots it that a large part of this fearful loss will be offset by gains to those [banks and bankers] who now owe this money, and who have been wise enough or fortunate enough to invest it abroad, or to hold it here in gold, or in securities convertible into gold?

In the case supposed the poor will all be made poorer, the great bulk of the people who are in moderate circumstances will bear the chief loss, while some few among the rich may possibly be made richer. If these things are clearly apprehended, either in Congress or among the people, will any voice be raised to disturb the public confidence now enjoyed by our money? No patriot, no statesman could wish to disturb it; no demagogue or fanatic would dare to do so.

VIII.—DEFINITENESS AND STABILITY OF VALUE THE ESSENTIAL QUALITIES OF MONEY.

What quality must money possess in order to conform to natural law, to serve the needs of industry, to command the confidence by which alone it can fulfil its functions as a medium of exchange and a measure of value, and hence to merit the sanction of civil law?

The answer is, the qualities essentially requisite for money are, definiteness and stability of value.

In the payment of wages, and in all small transactions, the current money of the time and place is used to measure values, just as in the retail trade the yardstick is used to measure cloth, pound weights to measure sugar, or pint cups to measure molasses. But beyond the retail trade goods are passed from hand to hand among wholesale dealers by the package or bale, the barrel or hogshead, and are paid for by checks or drafts.*

Now the packages, bales, barrels, hogsheads, and cargoes are aggregations of quantity and weight, based upon primary and fixed units of weight and measurement; in like manner amounts of dollars or pounds sterling, specified in checks, drafts, and bills of exchange, are aggregations of money based upon a primary and fixed unit of value.

Without a perfect understanding and agreement between buyer and seller as to the actual weight of an ounce, and the actual value of a dollar, these transactions

* Bonds and stocks are paid for in the same way.

could never occur; merchants demand this certainty in all their dealings, and they are generally able as well as careful to secure it. If the man who is about paying for a cargo by the thousand tons has any doubt as to what constitutes an ounce in the estimation of the person who has weighed the cargo at the port of shipment, he will not make the payment until he has verified the weight by his own scales; but if there is no doubt upon that point, he pays by the weight specified in the bills of lading.

So if the man to whom payment for this cargo is being made in the form of check or draft, has no doubt as to the real value, *i. e.*, the kind of dollars, represented by these paper orders for money, he accepts them as if they were money; but if he has doubts, he requires to be assured upon this point before parting with the bills of lading, which are paper orders for his property. The quantity or weight specified in the bills of lading being fixed, he very reasonably demands equal certitude as to the exact value he is to get in exchange.

It is absolutely necessary to have a unit of value, not only for measuring values, but for expressing their measurement accurately, because unless the several values of different objects can be thus ascertained by a common unit or value-measure, and unless they can be expressed in terms common to all, these values cannot be compared with the requisite degree of exactness for the purposes of trade and commerce. Without the means for such comparison industry would be paralyzed.

Contracts to pay or to receive money at a future time would never be entered into if the actual value to be paid or received at that time cannot be relied upon by both parties. The very existence of credit is therefore dependent upon the certainty of the monetary unit. The establishment of a monetary unit or fixed standard of value is, therefore, the highest duty of governments, and the more numerous and diverse the forms of money in use, the more imperative does this duty become.

There is, however, another element required to make any particular kind of money really good, namely, invariability in its purchasing power, stability of value.

We are so accustomed to measure values and to express all variations of value by money, that it requires a little effort to conceive of money itself as varying in value, but such a conception will be by no means difficult if regard is had to the distinction between price and value which has been already pointed out.

When we compare the value of any commodity with that of money, we express the result of the comparison in money value, that is, price. So we say, "This watch is worth \$100," "The price is \$100." Yet we can conceive of a man who has \$100 saying, "The price of this \$100 is such and such a watch." The jeweler buys \$100 with his watch when the customer buys the watch with \$100.

Variations of the relation expressed by price may, of course, be caused by a change in the value of the article, or by a change in the value of the money, or by changes in both values.

This point being made clear, it is evident that good money should not only stand the test of passing current, but it should also be definite in value and possess the further quality of stability of value. The possession of this latter quality is essential to good money, because we measure all other values by money.

Since stability of value is an essential property of good money, the question arises, how is this obtained? And then there is another question behind this, namely, how are the people to distinguish between money that possesses this quality and money that lacks it? Stability of value is assured, when, as has been the case in England for nearly half a century, only one metal is used for money, or when, as has been the case in the United States since January, 1879, all the different kinds of money in use are maintained constantly at a parity of value with the monetary unit.

The practical test of stability in the value of the money in use is general stability in prices. There is no other test, nor can any better be conceived.

IX.—THE MONETARY UNIT.

It has been ascertained, by the experience of past generations, that even two kinds of money cannot possibly continue circulating side by side when once they are recognized as differing in purchasing power, *i. e.*, in money force, because the moment any inequality of value among the ingredients of a mixed currency is discovered or even suspected to exist, that moment everybody hoards the more valuable and hurries to pass off the less valuable of those ingredients; so that in a short time the former are sifted out from the circulation and disappear, while only the least valuable ingredient of all remains accessible to the people; thus debasing the money of the community and correspondingly affecting all measurements of values, *i. e.*, raising the prices of everything.

This natural law was first pointed out by Sir Thomas Gresham, three hundred years ago, and by reference to history it is found to have asserted itself, both before his time and since, whenever and wherever two or more kinds of money, circulating together, have been perceived, or even suspected, to have lost, or to be likely to lose, their equipoise in value. So universal and inevitable is the operation of this law that people of all lands and all tongues have defied edicts, statutes, and even military force; they have put aside old prejudices and disregarded usage, tradition, patriotism, public spirit, even what appears to be their own immediate welfare and prosperity, in the irresistible impulse to pursue a course of individual conduct which when practised by all inevitably results in restricting the money circulating in the community to the least valuable and least desirable of its elements.

In such cases, of course, the sifting and hoarding is done chiefly by those who are the first to perceive the tendency toward divergence in value, and as these are generally bankers and other dealers in money, they reap whatever benefit can possibly be got out of the sifting and the hoarding, while the refuse of the circulation is put off upon laborers, artisans, farmers and other plain folk. As every mixed currency is in danger, more or less, of having the equilibrium of value among its ingredients disturbed, at some time or other, by causes beyond the control of the government and people, and of thus suffering dissolution, such currencies have been, by many writers and statesmen, altogether condemned as mischievous to the people, and the only grounds upon which they have been justified are these four: First, the convenience to the people of having several kinds of money from which to select whichever best suits each occasion; secondly, economy in the use of one or both of the precious metals; thirdly, raising the volume of the circulation above what could be maintained by using only one of these metals; fourthly, the various considerations, whatever they may be, that support the doctrines of the bimetallists.

All who, for any reason, favor our present mixed currency, must, by logical necessity, assent to the proposition that the good of the people requires that the elements composing it be preserved in harmony of value, since, because of Gresham's law, that is the sole condition upon which the integrity of the currency can be secured and the volume of the circulation maintained.

This desired object can be practically accomplished only by the establishment and maintenance of a monetary unit, or a unit of value, corresponding with the denominational unit of the money system of the community.

A monetary unit is a definite weight of a particular metal of a certain fineness, established by law, to be the actual substantive value designated by the term which is the denominational unit of the money system of the country. The denominational unit of our money system is the term *dollar*; the monetary unit or unit of value, is 25.8 grains of gold, nine-tenths fine. It may be interesting to trace the history of this matter in the laws of the United States.

The money circulating in the colonies consisted of British, French and Spanish coins, chiefly the latter, and also of paper bills of credit emitted by the different colonial governments. In all history there is nothing so instructive, in respect to money, as the account of the various currencies that from time to time vexed the souls of the people and thwarted all industrial efforts in these enterprising and resolute communities.* Experience, therefore, impressed the fathers of the American Union with the importance of a new departure in financial management, and hence we find that the Articles of Confederation, which stand at the threshold of our national existence, vested in Congress "the sole and exclusive right and power of regulating the alloy and value of coin struck by their own authority or by that of the respective States."

A further and more effective step in the same direction was afterward made by providing in the Constitution that "the Congress shall have power to coin money, regulate the value thereof, and of foreign coins," and that "no State shall coin money, emit bills of credit, or make anything but gold and silver coin a tender in payment of debts."

In pursuance of these wise provisions of the Constitution, Congress, by the Act of April 2d, 1792, established the dollar as the "unit of the money of account" for the whole United States, and from that day to this all our conceptions of the value of things, all our computations and contracts, have been expressed in dollars. From 1792 to 1862 legal provision was made from time to time for preserving uniformity in the conventional value of whatever different kinds of money enjoyed the recognition of the Federal Government.

After 1862 monetary affairs became greatly disordered by the war, coin disap-

* See Money, p. 304 *et seq.* F. A. Walker, New York, 1878. Money: Its Laws and History, p. 429 *et seq.* H. V. Poore, New York, 1877. Sumner's American Currency.

peared from general circulation, while United States Treasury notes on one side, and Confederate States Treasury notes on the other, became, under the operation of Gresham's law, the only kind of money available to the people at large, notwithstanding that, according to the best estimate, the gold coin in the country was never less than \$200,000,000. When the war ended, in 1865, the Confederate currency was worthless, and the greenbacks were so depreciated that \$100 in that currency would buy only about \$70 in gold coin of the United States. The National Bank notes, being redeemable in greenbacks, conformed in conventional value to that depreciated currency.

The Resumption Act, and the measures taken in pursuance of it, restored to the people substantially the money intended to be guaranteed to them by the Constitution, and the last of the series of acts fixing the value of this money, based it on a monetary unit, viz., 25.8 grains of gold, nine-tenths fine. This has remained until to-day the monetary unit of the United States, and by this all values have been measured and computed since January 1, 1879.

The importance to the people of selecting and adhering to a certain weight and fineness of one metal as the monetary unit, arises wholly out of the fact that their money is manifold in form, substance and intrinsic value. Our four kinds of money, differ in intrinsic value, and therefore they can be maintained at uniform conventional and legal value only by investing one of the two metallic coinages (gold and silver) with the character of a basis or standard of value, and by force of law conferring upon the other elements of the currency, values representative of the actual value intrinsically present in that selected to be the standard.

The Government is by no means free to select either of the two coinages as the standard, but must select that of greater intrinsic value, or else, under Gresham's law, those coins will disappear from circulation. If instead of 25.8 grains of gold $412\frac{1}{2}$ grains of silver had been made the monetary unit in 1873, we should now have no gold coin at all in circulation.

The monetary unit once established becomes the standard for measuring all values expressed in money, and thus it enters into all business and financial transactions, arrangements, and contracts; hence it should be always preserved at substantially the same level of value.

The progress toward simplification and method, which begun when coins were substituted for scales and weights in the measurement of copper, silver and gold, has been continued constantly in the direction of improving the coins, perfecting their accuracy, and fortifying their permanency in respect to value, and its logical conclusion is now reached in the adoption of a monetary unit, by means of which several kinds of money, varying in intrinsic value, are co-ordinated as to legal value, and their solidarity in the currency is established and preserved.

The duty of the government, therefore, in respect to this matter, is to establish a monetary unit, and to provide against its being changed except by such universal consent as is requisite to effect a constitutional amendment.

Imagine an ordinary workshop where the foot-rules are not on the same scale; where the unit of linear measure—the inch—is not definite nor fixed, so that the inches and the feet marked on one man's rule do not correspond with the inches and the feet marked on the rule of another man engaged on a different part of the same work. Would there not be inextricable confusion and wrangling among the men, attended with spoiling of material and consequent loss and vexation to the proprietor? Would there not be necessarily a spontaneous halt in the work, and a simultaneous demand that some one of the various inches be selected as a standard, and that all rules that differed from the standard be banished, and even destroyed utterly?

Now money, as a measure of value, sustains toward the specialized and differentiated industries of this country, relations precisely like those which foot-rules sustain to the specialized and differentiated employments into which the work of a great machine-shop is distributed. An industrial people, subjected by their government to the use of an uncertain currency, are just as badly treated as would be the hands in a machine-shop who should be furnished with defective and inaccurate foot-rules, and then held accountable for material spoiled and time lost by misfits.

One step further: while the United States may be regarded as a great workshop, yet it is only a branch of the still greater workshop of the world at large.

The value-rule in use among us should, therefore, bear a definite, known, and unchangeable relation to the value-rules in use among the people with whom we trade. While it would be more convenient to have but one monetary unit for all the world, it is not necessary to do so. Different nations may still retain those they are accustomed to, but it is absolutely essential that each of these should be

immutable in real value, and that they should all be alike in material, for identity of metal can alone insure identity of intrinsic value in equal weights.

X —LEGAL TENDER.

The term "legal tender" is a technical expression signifying that which the law prescribes to be paid or tendered in order to discharge a debt, satisfy a judgment, fulfil a money contract, or pay taxes.

The very object, therefore, of a legal tender law must necessarily be to establish a fixed and immutable measure, or standard, by which the value repaid or returned may be compared with and made equal to the value acknowledged to have been received, and in other cases by which the value paid in satisfaction of a debt, or a judgment may be compared and equalized with the value agreed or adjudged to be payable therefor.

This being the nature and the object of all legal tender laws, reason itself requires that when such a law gives legal tender force to several kinds of money, these kinds of money must be always preserved at equal value, for if they are not so preserved the nature of the legal tender law is violated and its essential object is defeated. This is not only a requirement of reason, but it is also demanded by that spirit of justice which is the soul of law and should be the animating principle of all legislation.

Legal tender laws control the execution of contracts, and every contract embraces two or more persons, sustaining to each other complementary relations. The essence of these reciprocal relations is equality; equality of the value received at the date of the note or bond, with the value agreed to be returned at its maturity.

The whole theory of a money penalty for default of specific performance rests upon the doctrine here set forth, and this doctrine also underlies all taxation, for without fixed value in the medium of payment the taxing power can neither provide adequately for the public needs nor gauge the burden laid on the tax-payers.

Not money but money's worth, not the dollar but the dollar's worth, is the motor of industry, the propelling force behind human enterprise and endeavor. This truth is the key to the obligations of governments in respect to legal tender money; they are bound to preserve its value, its true worth. The name of the coin, the denomination of the note, is absolutely naught; the value is the essence of the matter; equality of value, not identity of substance, between the thing borrowed and the thing returned; equality of value, not specific identity, between the thing promised and the thing performed, will alone content the avidity of justice for what is right.

XI.—THE MATERIAL AND FORM OF MONEY.

Since the government is charged with the duty of determining what the people's money shall be, it is well to inquire what principles should govern the coinage of metals and the creation of paper currency.

Before proceeding to these inquiries, however, it is necessary to point out the difference between these two kinds of money. Coins possess intrinsic value; that is, the substance of which they are made is valuable in itself. Whether coined or not, gold, silver, and copper are valuable as metals, and their value is nearly the same all the world over. Paper money has practically no intrinsic value; its money-force depends upon law, or upon the financial credit of the government, or the credit of a bank; sometimes certificates, representing coins of gold or silver deposited in the Treasury, and redeemable in such coins, are used as money. Paper money generally expresses an obligation or a promise; it usually implies a contract or a trust, and its value, derived wholly from these, depends for its continuance upon the public confidence that the promise or obligation will be fulfilled, the trust or contract executed. Beyond the limits within which this confidence suffices to give it currency, paper money, whether in the form of Bank of England notes, greenbacks, National Bank notes, or coin certificates, loses its money function; it has no force to pay wages, or to pass from hand to hand in the ordinary course of daily traffic.

There is another very important difference between coins and paper money. The value of coins, being in their substance, is not affected by or dependent on what is stamped or imprinted upon them.

Coined metal is beyond the reach of political strife; it is free from danger by reason of disaster, panic, or war. Earthquakes, revolutions, the rise and fall of empires, have been powerless to impair by a fraction the value inhering in the coins sewed in the garments of trembling towns-people or hidden in the huts of a terrified peasantry.

Paper currency, on the other hand, is created by statute ; every note has value conferred upon it solely by the stroke of the pen recording an official signature. A greenback or bank-note of \$1,000 contains no more paper and ink than one for only \$5 ; it costs no more to produce the one than the other. The money life of such currency depends wholly upon the continuous sustaining force of the law ; interrupt this, and it droops depreciated ; cut off this support by repealing the law or disabling the government, and the currency dies, as the lights go out when the gas is turned off. Every note that draws vitality from the law perishes with the repeal of the law, or with the downfall or bankruptcy of the government, even though it be locked in a hidden recess a thousand miles away from the seat of legislation or the theatre of revolution.

A depreciated currency, whether metallic or paper, is the sum of all monetary evils ; it is worse in its effects than war or pestilence ; it seeks out and ruins the most secure and the most secluded ; it brings widows and orphans to penury ; it corrupts the virtuous, disheartens the industrious, destroys the helpless ; it breeds rapacity, pampers vice, and sets up gambling as a substitute for profitable toil.

It may be asked, How may a government secure its people against the danger of the currency becoming depreciated ? The answer is : A government should never make anything lawful money but coins of metal, and paper convertible into such coins on demand of the holder.

There is no reason, however, from a financial point of view, though there may be political reasons against it, why the United States government, after establishing, under constitutional sanction, an unchangeable monetary unit, should not provide in its laws for a system of banks of issue, which may supply to the currency an element adjustable in volume, under natural laws, to the varying needs of industry.

Metallic money is certainly as old as the time of Abraham. Then it passed by weight. More than a thousand years after that coins were invented—at first these were made of brass, then of iron and copper ; long afterwards silver coins were struck ; gold was the last to be coined.

At each stage in the progression from the less valuable to the more valuable metals, the material of money seems to have borne a relation to the value of labor.

In primitive times money had no general sphere of circulation. Nearly all labor was performed by slaves or dependents, hence there were no wages to be paid, personal service was requited not by money but by protection, shelter and maintenance, few industries were pursued for gain and trade consisted largely of barter.

Now industry has become almost universal and is infinitely varied, each worker is master of his own earnings, so that money is indispensable to the daily life of hundreds of millions of men, women and children, and the material of money has increased in value with the rising value of the labor it measures and the increasing volume of the transactions it liquidates.

It is in this way that the world has outgrown brass, iron and copper, successively used as money ; these metals are now all too low in value, in proportion to their weight and bulk, to serve the needs of industry among the more advanced nations, although copper coins are still found in circulation among peoples less advanced. Gold and silver are the metals now chiefly used as money in Europe and America. Mankind has become satisfied by experiment that silver and gold are the best metals to be used as money at the present time, and when, if ever, they become satisfied that either of them can be advantageously dispensed with for such use, that metal will cease to be used for money, and no amount of sentiment, no force of declamation, can prevent its disuse.

It is only in modern times that paper money has come into use. A sketch of its history will be found in Chapter XII ; but it may be well at this point to suggest some views as to paper money generally. All paper currency, whether issued by the government or by a bank, consists of due bills only ; these due bills may be simply the government outlay, or they may represent taxes to be collected, or gold or silver coins deposited in the Treasury ; or they may represent value in some other form received by the government or by the banks. History teaches that it is never entirely safe for any people to entrust the keeping of all their gold and silver to treasuries and banks, while they have nothing to show for it but a paper receipt ; and it is always exceedingly unsafe for the people, especially farmers, artisans, and laboring men, who are not in the way of keeping up with financial changes, to become wholly dependent upon a currency that has neither gold nor silver behind it, but which consists wholly of paper representing future taxation, or which is based solely upon the credit of a government, or of a corporation under governmental control.

If the government supplies the money it ought to take care that all of it is equally good, and equally good at all times ; but this cannot be depended upon

unless the people understand the difference between good money and bad, and require their representatives to possess that knowledge also, and to apply it in legislation, where alone such knowledge can be applied effectively.

Is a man's labor, or his crop, not always good value, and should they not at all times be paid for in money that has equally good value? Can a man afford to be indifferent as to whether the money he gets is always equally good? It is certain that bad money can never be so plentiful that wages paid in it will go as far when they are to be spent as wages paid in good money.

XII.—PAPER MONEY.

From what precedes it is apparent that to the people of an industrial community it is essential that all their money should be of such material, and so rooted in natural laws, as to merit and to obtain universal confidence, both as a medium of exchange and as a measure of value. For this reason many economists insist that the law should recognize nothing as money but coins of gold, silver, or copper, because these alone possess intrinsically, and in the highest degree, the qualities which experience has shown to be characteristic of good money. It is to be considered, however, that a great volume of circulation, consisting exclusively of these metals, is a very costly appliance.

In order to appreciate the force of this objection to an exclusively metallic circulation, we need, first of all, to fully realize that every dollar of money actually present in any community belongs to some individual or institution, and that every such dollar is inert capital, void of increase and earning nothing. Whether carried in the pocket or locked in a safe, every coin and every note costs to its possessor, day by day, the loss of whatever interest or profit he might obtain by parting with it, through investing its value in some productive form, *i. e.*, in a savings bank deposit or in bonds, stocks, promissory notes, real estate, machinery, tools, animals, etc. All these and many other forms of property yield to their possessor either profit or pleasure without diminution of their value as property; but money yields nothing while it is kept. To derive pleasure or profit from money one must part with it.

Merchants, traders, and manufacturers keep as little cash on hand as possible, even though they possess large capital; while the great operators in exchange, securities and produce habitually draw their bank balances down to the lowest point they consider consistent with safety to their business, and if, at the end of any day's operations, one of these finds his balance larger than necessary, he will try to lend out the excess, even at a very low rate of interest.

So great is the burden of idle money that in many kinds of business needing the use of money for short periods of time only, it is found more economical to borrow for such periods than to hold so much money over the intervening spaces of time; thus, builders are always large borrowers, farmers invariably get advances on a maturing crop; while factors, warehousemen, and others engaged in marketing agricultural products would have their commissions and profits consumed in loss of interest if they should undertake to keep idle all through the late spring and the summer the money they know they must pay out during the autumn and winter.

Having fully realized that the entire volume of circulation in any community is a burden upon its industries, it is next in order to inquire how that burden may be lightened, and the answer will be found to be, first, by abstaining from legislation tending to enlarge the circulation beyond actual needs; and, secondly, by using paper money to a greater or less extent. The first point will be treated in the chapter entitled Volume of Circulation; the second is to be now established.

Of course the burden of idle money is the same whether such money be of metal or paper, but a part of the cost of "carrying" paper money is offset by the profit upon its issue, while there is no such offset in the case of coins. Banks issue their own notes in exchange for interest-bearing obligations of some character, and as long as those notes remain "out" the bank has the use of that capital free of cost. The profit from such use coming to the bank is (taking the bank and the rest of the community as one whole) an offset to the loss of profit upon the same amount of capital which has been sustained by the members of the community who have, for the same period of time, been successively holding the notes. The first cost of the notes to the bank which issues them is small; but if the bank had no power to issue notes, and was compelled, before it could discount paper, to buy bullion and get it coined, the cost of the bullion would be only a fraction less than the money produced by its mintage. The saving to the community, therefore, from the use of paper money is about equal to the annual interest on the volume of such money less the expense of its issue, redemption, and maintenance in a clean condition. This saving is less upon government issues of currency than upon bank-

notes, because, the expenses being the same in both cases, the gross saving on government paper money is merely the interest upon an equal amount of its funded debt, while the saving on bank issues is the interest on an equal amount of commercial debt, and the rate of interest on government debts is always less than the rate charged for bank loans.

Bank-notes came into use in Italy during the twelfth century, and their use afterward followed the development of trade in the several countries of modern Europe. Like the use of bills of exchange, the circulation of bank-notes rests entirely upon the credit enjoyed by the issuing banks; but this fundamental principle was for centuries either unperceived or disregarded by certain governments, which, observing the favor enjoyed by bank-notes, conceived the idea of augmenting their resources by issues of paper money with no basis but the force of the royal mandate.

From this sketch it appears that paper money is of two kinds: that issued by banks and that issued by governments, and further examination will show that each of these two kinds may be classified into convertible and inconvertible. Convertible paper money is that which is maintained at a parity of value with metallic money, by means of arrangements giving to the public the right and the means to convert the notes, at will, into equivalent amounts in coin. Inconvertible paper money is that in respect to which no such arrangements exist. Three conditions are essential to maintaining the convertibility of paper money, viz.:

1. The existence of a monetary unit, established by law, or so rooted in the traditions and habits of the people as to be practically beyond chance of variation.
2. Adequate provision for securing the conversion of notes into coin without unreasonable expense or delay, and in any amount likely to be demanded.
3. General confidence among the people in the permanency and sufficiency of the two preceding conditions.

Inconvertible paper money may be maintained in circulation by a government, but under present conditions of corporate credit it does not seem possible for any bank to maintain such a circulation. The Bank of Venice, in the twelfth century, and the Bank of Amsterdam, in the seventeenth, were able to obtain deposits not subject to withdrawal, and they long maintained this rule, but both abandoned it in time.

Inconvertible paper money, issued by a government, may be maintained at a parity of value with metallic money, provided the following conditions, five in number, exist:

1. There must be a monetary unit, as in the case of convertible paper money.
2. There must be a considerable volume of metallic money in the country, and sufficient foreign trade, or other specific use for coins to keep them in general circulation.
3. The government must make no distinction, in its dealings with the people, between the two kinds of money; both or either must be received and paid out with at least ostensible impartiality.
4. Provision must be made by taxation, or by voluntary funding for the prompt absorption of any redundancy apparent in the volume of outstanding paper money.
5. The people using the paper money must have confidence in the purpose and the ability of the government to maintain indefinitely the four preceding conditions.

Both convertible and inconvertible paper money become depreciated the moment public confidence is shaken in the purpose or power of the issuer to preserve the conditions under which alone such money can circulate in interchangeable effectiveness with coins. Under Gresham's law the primary effect of the depreciation is to cause contraction of the total volume of circulating medium, by expelling from it all money that is not depreciated. What is left thus becomes a sort of leprous currency, with which association and mingling is abhorrent to all forms of sound and healthy money.

XIII.—TREASURY-NOTE OR DUE-BILL CIRCULATION.

The power to prescribe what shall be legal tender for debt must not be confounded with the natural right possessed by every sovereign government to determine what shall be the medium for paying public dues. That right flows from the right of taxation, and were the States of the Union not prohibited by the Federal Constitution from issuing bills of credit, there would be no force in the legal tender inhibition to restrain them from maintaining a State currency receivable for State dues.

The principle upon which an irredeemable due-bill currency rests, is worthy of

careful observation, because it is one of the fundamental principles underlying all monetary circulation except that of the precious metals. It is well illustrated by the circulation of blood in the human body.

Let us follow the note circulation under such a system. The officers and employees of the government, the soldiers, the contractors for public supplies, the mail carriers, the artisans and laborers on public works, with many others, receive the fresh issues as they come crisp from the Treasury. All these persons use the notes to pay the grocer, the butcher, and other tradespeople; some part goes in servants' wages, some in travel and amusement; in one way or another the notes penetrate every nook and cranny in the community. From these innumerable points, which may be called the capillaries of money circulation, where money passes from hand to hand, the notes enter the channels of trade; they are deposited in bank one day, drawn out another, shipped from city to country, and back from country to city, until at length the tax-collector gathers them in and sends them back to the Treasury, soiled with the dust of traffic, the grime of toil, and, perhaps, even the stain of vice. From the moment of issue to that of return to the Treasury, every note passes from hand to hand, from bank to bank, from place to place, entirely because of its tax-paying force. Such circulation may be maintained upon two conditions: First, that taxation shall always keep pace with expenditure, so as to insure that every dollar that is put out will be ultimately demanded back in payment of taxes; and, secondly, that the stability of the government is sufficiently established to exclude all doubt as to its power to enforce the return of the currency by means of taxation.

A due-bill system, as here described, is virtually a method of borrowing by the government from the people, upon the security of the proceeds of future taxation, and without paying interest. The lenders are the employees of the government, its soldiers and sailors, the laborers it employs, the contractors and dealers from whom it purchases supplies; they lend the value of their services or their property, and the government due-bills are their receipts. From these primary creditors the government I. O. U.'s pass to its only debtors, the tax-payers, who settle their taxes with the government by passing the paper back into the Treasury.

No device combines within itself so many of the essential ingredients of tyranny as a due-bill circulation, redeemable only in commutation for taxes; for while it represents the extreme of arbitrary exaction by the government, it fastens upon the mass of the people a yoke from which they cannot escape, except by themselves destroying the value of the paper upon which they have advanced full value by giving their services, their products, and their property in exchange for it. By submitting to the issue of such a currency the subjects of a monarchy abandon their only effective defence against oppression, and they aggravate enormously the cost of revolution, while the citizens of a free state who allow such a currency to be established among them, invest their rulers with a power dangerous to liberty and difficult of restraint. The reason is the same in both cases; an irredeemable government currency binds the people indefinitely to a scale of taxation commensurate with the volume of the paper issues, and thereafter taxation can be reduced only by contracting the currency or by suffering it to become depreciated, alternatives of which both are oppressive and of which therefore either is difficult of adoption.

A due-bill currency may or may not be made a legal tender for debt.

The Government of the United States, in 1862, issued an irredeemable paper currency, commonly called greenbacks, and made the notes a legal tender for debts. In this case taxation was not adjusted to the volume of currency emission, consequently the greenbacks became depreciated, although throughout the North commerce and manufactures were enormously stimulated by the war; the country suffered little or nothing from invasion, and immigration was constantly bringing in resources from outside.

XIV.—BANK-NOTE CIRCULATION.

In the chapter on Paper Money it was shown that two kinds of such money have been in use at various times and places, viz., government currency and bank-notes. We have considered the subject of government currency; we come now to that of bank-notes.

It has been shown (Chapter XII.) that bills of exchange were the first paper money, and that bank-notes were afterward devised. Checks on banks of deposit, so familiar to us, are the most recent development of the bill of exchange, and when "certified" they acquire also the force of a bank-note. Indeed, these certified checks are very much like the earliest bank-notes, which were merely certificates

of deposit invented to economize the use of the precious metals. It would be quite practicable now for depositors to draw checks in round sums of five, ten, etc., dollars, payable to bearer, have them certified by a bank, and (unless Section 3,413 United States Revised Statutes should be construed as prohibiting it) use them as bank-notes. Should such certified checks obtain general currency they would become money in the community where so circulating, and would differ from all other kinds of money now in use in this country in being simply a creation of credit, unsupported by governmental provision, and dependent for the continuity of their use wholly on their acceptability to the public.

Such certified checks, used as money, would be, for all practical purposes, like the bank-notes that were in circulation prior to 1862. and the supposed process of their issue illustrates how those bank-notes were issued. During the older period the banks that issued notes placed them in circulation by paying them out upon the checks of their depositors, while under the system above imagined the checks themselves would be certified. This illustration of the certified check is intended only to make quite plain the true nature of the bank-note by showing that such checks, should they be used for money, would serve all the purposes of bank-notes.

The main advantage to be derived by any community from banks of issue consists, first, in the economy of paper as compared with metallic money; and, secondly, in the utility of such banks to productive industry. The plea of economy for the use of paper money, rather than coin, applies to government issues as well as bank-notes, the only difference being in the relative saving effected, and this difference has been shown to be in favor of the bank-note. It may be true that the use of a government currency tends to lower the rate of interest on government bonds, but the share of any one citizen in a fractional saving of interest by the government is so infinitesimal as to be practically worthless, while, on the other hand, it is certainly true that the increase of bank-note issues tends to reduce the rate of interest on commercial loans, and the reduction of one or two per cent. per annum in the rate of interest on the loans made by banks to their customers is a matter of immense consequence to all borrowers.

In the United States, where the government taxation is not in the least degree affected by the interest on the public debt, the people gain absolutely nothing from the greenback currency, amounting to \$346,000,000; while the issue of bank-notes to that amount based, not on bonds but on commercial paper, would probably make seven per cent. a maximum rate of interest throughout all our agricultural communities, except those in the newest States and the Territories, and would even there greatly reduce present rates for money. Under the imperfect and often hazardous system of note issues by State banks between 1820 and 1860, the prevailing rates during that period in the communities where those banks were located were six per cent. for discounts, and seven per cent. for interest.

The history of the Bank of Stockholm affords a striking proof of the effect of bank issues of currency in reducing the rates of interest. This institution was established early in the seventeenth century by a merchant, and subsequently, viz., in 1688, was made a State bank. At that date, as one of the conditions of the change, it was limited to eight per cent. as the maximum rate for loans on good security, and it was required to allow six per cent. interest on all deposits, except those of the government, which drew no interest. As a consequence of its operations and its growing credit, the rates of interest rapidly declined throughout the kingdom, and before the close of the century the bank rate for loans was successively reduced to seven, six, four, and finally to three per cent. per annum, while the rate allowed to depositors was reduced, *pari passu*, until it reached two per cent.

It is obvious that during those twelve years the people of Sweden gained from cheaper money vastly more than they could have gained from any saving in the interest on the public debt that could possibly have been effected by issues of government currency, and they would have been greatly injured if such government currency had been maintained in circulation by the prohibition of bank-notes—the policy pursued by the United States since February, 1862.

I say this has been our policy, because the National Bank notes are truly a government currency and possess none of the essentials of bank-notes. When the system was first instituted the National Banks were able to make large profits, because they were getting six per cent. interest on the bonds, besides having the use, free of interest, of money amounting to very nearly ninety per cent. of that invested in the bonds.

These profits were not such as banks of issue make on their circulation. They accrued because the banks bought their bonds for about ten per cent. cash and ninety per cent. credit without having to pay interest on the credit portion of such cost, although they received interest on the face of the bonds. There is no profit

now on circulation because the bonds cost 115%, yielding as an investment only about $2\frac{1}{2}\%$, while the circulation, less redemption fund, is only $\frac{85}{115}$ of cost.

Because there was no profit in it, the circulation of the National Banks never did make money cheap to borrowers. It must be conceded that the risk taken by the banks during the war, in buying bonds and banking on greenbacks, were fully commensurate with any profits made out of the arrangement for circulation then or afterward; hence there is no basis for assuming that these profits produced any effect in reducing rates of interest on commercial loans, while all the evidence is to the contrary. The profits described having long since ceased, of course they cannot now have any such effect; hence the National Bank currency never has possessed one of the essential qualities of a true bank-note circulation, viz., that of cheapening loans.

That notes issued against deposited bonds never can tend to the cheapening of loans will be evident when it is considered that such notes derive their existence from the deposits of the bonds and their value from that of the bonds; they are issued to the bank really, not by it, and while in its possession are a part of its assets, being collectively representative of the bonds, its property, deposited at Washington. The notes issued to each National Bank are, indeed, government money advanced on the bank's bonds, and for all money purposes they are just like the notes issued to any other bank; the bank whose name they bear gains nothing by their prolonged circulation. Not so with bank-notes proper which are issued by the bank, have no vitality until issued, and cease to have any money force the moment they come back to the bank that issued them.

Unlike the National Banks, under present laws and conditions, true banks of issue have an interest in putting out all the circulation possible, and in keeping it out as long as possible, and this tends to the cheapening of loans in two ways:

First. The discount of paper and the making of loans constitute the only way in which a bank can get out circulation; hence, as between a bank desiring to extend its circulation and one confined to the use of coin or government currency in making loans, it is obvious that the bank of issue has the greater incentive to lend and can afford to take lower rates of interest than the other. Let us suppose two such banks newly established in a place where prevailing rates of interest have been six per cent. The non-issuing bank finds no inducement to lend below that rate, but the issuing bank, reckoning the profit on its circulation as equivalent to, say, two per cent. per annum, can afford to lend as low as four per cent.

The second way in which, when banks are allowed to issue notes, rates of interest are brought lower than they are when the circulation consists wholly of coins and government currency, is through an elasticity in the volume of bank issues, which has no counterpart in the other system. A specie reserve of one dollar to every three or four dollars of circulation has generally been accepted as sufficient to insure the complete efficiency of bank-note circulation; hence, when there is an active demand for money, the bank of issue that gets in \$1,000 in specie may issue against it \$3,000 or \$4,000 of notes, whereas under present conditions no bank can lend out more than the \$1,000 it has taken in, and National Banks may lend only \$750 or \$850, according to location.

This power to expand the circulation very materially modifies the effect of the forces which operate from time to time to enhance the rate of interest, and if the banks authorized to issue notes are numerous, widely dispersed, and subjected to proper regulations and restraints as to such issues, they cannot fail to be always competing to put out loans, because they will be under the strongest solicitations of selfish advantage to do so, and such competition must cheapen rates of interest.

It must not be forgotten, however, that the power to put out four dollars of notes for one dollar of specie acquired is inseparable from the obligation to retire four dollars of the bank's circulation for every specie dollar withdrawn from its vaults; hence the importance of numbers, wide distribution, and intelligent effective regulation.

It is, however, in the performance of that primary function of money which consists in effecting industrial and commercial exchanges that a bank currency is chiefly superior to a currency of coin and government paper, singly or mixed.

Purely agricultural communities use very little money during long periods of each year; very little is retained there. On the other hand, when crops ripen and have to be harvested and marketed, a great deal of money is required in those communities, and, as it is not present, it must be brought there, and that involves delay, expense, and sometimes inability to command a sufficient supply.

Now no augmentation, gradual or spasmodic, in Government issues of currency or in Treasury disbursements of surplus revenue, can obviate this inconvenience and expense to farmers, because a currency abundant even to the point of redundancy never overflows into places where there is no profitable employment for

money, but the excess becomes absorbed in speculation, and that is carried on, not on farms, but in cities. On the other hand, banks of issue located in agricultural sections are admirably adapted to supplying with their issues of notes these annual and comparatively brief periods of demand for money for moving the crops, and farmers whose needs are thus supplied are neither subjected to heavy discounts on the drafts drawn against their produce nor delayed in marketing their crops, or in making their purchases, by the want of money.

Under our present system of currency, during the months from March to August, the bulk of the circulating medium is finding its way, at much expense for expressage, and much cost in loss of interest, from thousands of points all over the country to the cities, and ultimately it becomes concentrated at a few centres; then, during September, October, and November, it has to be redistributed, at like expense; whereas if our six thousand banks were allowed to issue notes as the State banks did before 1862, a great part of this trouble and expense would be avoided.

If country banks were required to keep a reserve of twenty per cent. against their note issues their entire autumnal expansion would cost just one-fifth of what it now costs to fetch currency, and, under a proper system of redemption centres, the expense could be still further curtailed.

We had once in this country a great many banks chartered by the different States and authorized to issue notes payable to the bearer on demand. Confidence of course was essential to the circulation of the State bank-notes. It was therefore vital to banks of issue to maintain their credit, and to this end a reputation for prudent management, as well as for integrity, was essential.

A well-managed bank of issue got its notes into circulation by exchanging them for the notes, drafts, or acceptances of individuals and firms engaged in business, "commercial paper," as it is called. The bank's profit was obtained in the form of discount or interest on the commercial paper, the bank-notes carrying no interest. To put out a circulation in this way was regarded as intelligent and prudent banking, if care was taken in the selection of the commercial paper "done," if the maturities of this paper corresponded with the probable course, as to time, of the bank's circulation, and if the volume of notes thus put out was adjusted to the capacity of the community to absorb currency.

Manifestly this kind of money is much more economically obtained than the same amount of gold and silver; consequently communities where it prevails are enabled by it to use, productively, whatever proportion of their capital they would otherwise have to keep in the unproductive form of coin.

Under such a system of banking, however, the cost of a metallic currency is not wholly avoided, because some coin has to be kept by the banks. This coin is the connecting link between the bank-note and the monetary unit, for it is the medium of redemption of the notes. Identity of value between the bank-note dollars and the monetary unit is essential both to the bank and to the holder of its notes, for the latter requires assurance as to this identity before extending his confidence to the notes, and the former is ready to furnish such assurance, because it absolutely depends upon that confidence to keep its circulation afloat. This system of banking, beginning in England, acquired its highest British development in Scotland, and grew up in this country as soon as the adoption of the Federal Constitution of 1787, and the monetary legislation of Congress established a foundation for it in the institution of metallic money and a definite and stable monetary unit.

Though there were many imperfections of system, and numerous instances of dishonest, ignorant, and imprudent management, most of the banks of issue under State charters were so managed as to materially promote the prosperity of the communities where they were established. In 1862 the National Bank Act put an end to this system of banking.

In speaking of the banks of issue in a previous part of this chapter it was said that prudent and intelligent banking forbids a bank to lock up a bank's funds in anything that has to be sold in the local market in order to get them out again. The only legitimate investment for the funds of a bank is the commercial paper which represents the actual industrial operations of the community, and which presumably will be paid at maturity.

Now the National Banks are required by law to violate this ancient and well-established rule, for while it is true that the capital, wholly or in part, is first invested in bonds, and then the notes issued upon the bonds are available for investment in commercial paper, yet the effect is the same as if the capital were held in money and the notes invested in the bonds. Take a bank with a paid-in capital of \$1,000,000 and a circulation of \$900,000. The effective force of such a bank as an auxiliary to productive industry should be \$1,900,000, but is really less than \$1,000,000, because, as the bank holds \$1,000,000 in United States bonds as a basis of circulation, the bond investment locks up from \$1,000,000 to \$1,150,000, according to

the class of bonds held, and leaves the bank only from \$750,000 to \$900,000 effective capital.*

The public, shareholders and note-holders combined, have put into the bank \$1,900,000 of money or its equivalent, and they are getting the use of only \$750,000 of this sum, while under the former system they would have the use of the whole \$1,900,000, while the bank would hold against it not government bonds locked up at Washington, and constantly depreciating in value, but gold and silver coin to the amount of \$300,000 to \$400,000, and commercial paper constantly and continuously running to maturity and amounting to \$1,500,000 to \$1,600,000.

Contrasting the two systems as sources of circulation, the one reduces the available money of the community from \$1,000,000 to \$750,000, an actual contraction of \$250,000 on every million, or twenty-five per cent., while the other increases it from \$1,000,000 (original capital) to \$1,900,000, less \$300,000 to \$400,000 coin reserved, say to \$1,550,000, making an addition of fifty-five per cent. to the local supply of loanable funds.

Another feature of the National Bank system which will prove a source of great weakness in case of disaster is the practical inconvertibility of the notes.

The total volume of National Bank currency outstanding October 2, 1894, as reported by the Comptroller of the Currency, page 4 of his Annual Report, was about \$200,000,000. This was redeemable in greenbacks, and the greenbacks are by law redeemable in coin. To meet this obligation the Secretary of the Treasury holds \$100,000,000 in gold against the total greenback issue of \$346,000,000. Now in case a condition of things should arise leading to a run upon this reserve, holders of the National Bank notes would demand greenbacks for them and then use the greenbacks to obtain gold. Consequently the \$100,000,000 of gold is the coin basis of the National bank circulation and of the greenbacks also, which is $\frac{100}{346}$, or less than twenty per cent., of the circulation resting upon it, while under the old system the coin reserve was from thirty to forty per cent. From this point of view, therefore, the National Bank note circulation does not appear to be as well equipped, as to convertibility, as was the old State bank circulation.

It being clear that, regarded merely as a substitute for coin, bank-notes are more profitable to a community than government notes, the next point is as to the relative liability to depreciation of these two kinds of currency. The first point of difference between them in this respect is fundamental, because it lies in the basis of their issue. As has been seen, the government notes are issued to creditors of the government, while the bank-notes are issued to debtors to the bank.

Thus, for the redemption of its own notes the bank holds the security it exacts from its debtors, while against the government notes there is no provision for redemption but the government power to levy and to collect taxes.

There is another point: No bank has any obligations inconsistent with that of preserving its solvency, so that every bank that is honestly and intelligently managed will generally have assets sufficient to meet its liabilities; but governments are subject to political and other influences tending to extravagance, and nothing is so well adapted for disguising extravagance as the power to issue paper money—nay, nothing is so conducive to extravagance as that, because, generally, currency inflation commands popular applause. On this ground, therefore, it is wiser to use bank-notes than to permit the government to issue paper money.

XV.—THE BALANCE OF TRADE.

Every man in business understands what is meant by making his bank account good. He knows that however large may be the aggregate amount of his checks and deposits during the day, all that he has to be careful about is that the resulting balance is in his favor. The balance is the only thing regarded, either by the bank or by the merchant.

When several banks are doing business in the same place, each will receive from its depositors checks upon the others. In settlements between these banks the balances only are regarded. If there is a clearing-house, each pays or receives its own general balance through that institution.

Where there are banks and clearing-houses, therefore, all the varied operations of a great mercantile community may go on without any money passing, except what is required to settle balances, to pay wages, and to carry on the retail trade. The same principle obtains in settlements between cities. The state of the balance between the two cities influences, but does not of itself alone determine, the rate of exchange on New York at Chicago; but the rate of exchange determines currency

* For obvious reasons the banks generally hold four per cent. beads, so that the larger figure is nearer the average than the smaller.

movements between the two cities, and practically brings it about that only the final balance between all the banks in Chicago, on the one hand, and their correspondents in New York, on the other, is settled in money.

The foreign trade of the country is carried on by means of bills of exchange payable in London, Paris, etc., the bankers here purchasing and remitting bills drawn against exports and supplying their own drafts to importers to pay for goods brought into the country. Here, again, it is the balance only that has to be settled in money. If the values imported exceed those exported, rates of exchange rise, and money must be shipped abroad; if exports exceed imports in value, exchange falls, and money comes from abroad.

Amid the countless transactions of great cities, indeed, in the vast volume of commerce between continents the primary use and function of money still survives; values are exchanged (through cheques and bills of exchange), as they were in barter 3,000 years ago and the money comes in at the end only to "even the trade" to settle the balance. What is still more remarkable is that to-day settlements are made between nations as Abraham settled with Ephron by weighing the silver and gold, for, whether coined or not, the precious metals in international trade pass by weight, *i. e.*, by intrinsic value only. So difficult is it for men to escape the operation of natural laws.

Czars, Parliaments, and Congresses may coin metal and emit paper money, Latin unions, great nations, and many small communities may accept these and give them currency at arbitrary valuations, each within its own borders, but in the world's clearing-house world-wide values alone are available, and these must come in pure metal and must stand the test of accurate weighing.

Now the law of finance underlying all these instances is the law embodied in clearing-house rules, *viz.*, that when several kinds of money are circulating in the community, all balances must be settled in that kind only which is available for the settlement of outside exchanges; and from this proposition there is deduced, as a corollary, the following principle, *viz.*, that only what is available to settle balances at any money centre is good money throughout the entire area within which exchanges are focused on that centre.

The reason of this is obvious. A man who has to make good his balance in bank cannot accept from his debtor, or in payment for his services or wages, anything but what the bank will take, *i. e.*, what is known as bankable funds. The banks exact this because they, too, must meet all demands upon them, including their clearing-house balances, and they can do so only in such funds. The clearing-house cannot relax the rule, because if it did the community would, under the operation of Gresham's law, very soon lose all its wide-range money and have only a local circulation, unavailable for meeting the demands upon it from other places, and that unavailability would paralyze its business by embarrassing collections, thus discrediting its merchants and eventually crippling the banks themselves.

This being the case, it follows that no commercial community is entirely free to set up a local money of its own; if statute laws do not forbid, natural laws will hinder and embarrass the use of such money, while every commercial community finds its interest promoted by the largest possible local circulation of that currency, among all within its reach, which has the widest range. In the United States no commercial city can afford to be without money that is good in New York. In New York and other financial centres there must always be a stock of money that is good in London.

XVI.—THE VOLUME OF MONEY.

Much controversy exists as to what volume of money should be maintained in the United States. The first, and apparently the most popular, theory, is what may be called "the *per capita* requirement," which is, in effect, that the volume of money in the country should increase in some sort of proportion to the increase in the total number of inhabitants.

The first inquiry must be whether there is really, or can be, any relation between the number of people in the country and the number or the money amount of coins and notes existing at any particular time; because, of course, the whole theory of a *per capita* requirement of currency depends upon there being such a relation. If any argument exists in support of this postulate, I have not seen it.

The following table contains facts pertinent to the inquiry in hand, the column "Bank Credits" including bank capital and deposits.

APPROXIMATE SUPPLY OF CURRENCY IN THE AGGREGATE AND PER CAPITA IN THE PRINCIPAL COUNTRIES OF THE WORLD.*

Countries.	Population.	Stock of Gold.	Stock of Silver.	Uncovered Paper.	Per Capita.				
					Gold.	Silver.	Paper.	Bank Credits.	Total.
United States....	68,900,000	\$623,600,000	\$625,300,000	\$475,700,000	\$9.09	\$9.08	\$6.90	\$80.50	\$105.57
United Kingdom....	38,800,000	550,000,000	112,000,000	113,400,000	14.18	2.88	2.92	120.00	139.98
France.....	38,300,000	825,000,000	492,200,000	88,000,000	21.54	12.85	2.31	35.00	71.70
Germany.....	49,400,000	625,000,000	215,000,000	88,000,000	12.65	4.35	1.78	25.00	43.78
Belgium.....	6,200,000	55,000,000	54,900,000	51,200,000	8.87	8.85	8.26	25.00	50.98
Italy.....	30,500,000	96,000,000	30,000,000	167,600,000	3.15	0.98	5.50	18.00	27.63
Switzerland.....	2,900,000	15,000,000	15,000,000	16,600,000	5.17	5.17	5.72	30.00	46.06
Spain.....	17,500,000	40,000,000	166,000,000	107,100,000	2.29	9.48	6.12	14.00	31.89
Portugal.....	4,700,000	38,900,000	24,800,000	55,500,000	8.27	5.28	11.81	11.00	36.36
Austria-Hungary....	43,200,000	130,000,000	121,000,000	146,300,000	3.00	2.81	3.38	19.00	28.19
Netherlands.....	4,700,000	27,600,000	56,500,000	35,900,000	5.87	12.02	7.64	22.50	48.03
Norway.....	2,000,000	7,300,000	1,900,000	3,900,000	3.65	0.95	1.95	15.00	21.55
Sweden.....	4,800,000	6,500,000	4,800,000	16,500,000	1.35	1.00	3.44	26.50	32.29
Denmark.....	2,200,000	14,200,000	5,400,000	5,400,000	6.46	2.45	2.45	58.00	69.36
Russia & Finland.	124,000,000	455,000,000	48,000,000	530,000,000	3.67	0.38	4.27	6.00	14.32

* This table is made up from data given in the Report of the Director of the Mint, 1894, and Mulhall's Dictionary of Statistics.

If, as appears from this table, no uniform proportion of currency to population exists as to countries, does any exist as to lesser communities, say our States, counties, cities, and towns, or the cities or provinces of the European countries referred to? The experience and the common sense of every reader may be appealed to in derision of the notion that the number of people in a house, a town, a State, or the whole country, has anything to do with the total volume of the money held or required in each of these communities.

The disparity shown in the tables simply proves that everywhere but here governments accept the doctrine which requires them to refrain from meddling in commercial adjustments, and especially to refrain from any attempt to increase or diminish the volume of money by administrative measures or by legislative enactment.

Another theory is, that the volume of currency should increase with increased wealth. This is indeed the true doctrine on this subject, as may easily be substantiated without going abroad.

The facts connected with currency distribution and movements over great areas and among large populations are difficult of discovery and impossible of precise ascertainment because of the incessant mobility of money; while on the other hand, facts as to the normal movement of coins and notes in any particular locality are readily obtainable. These facts establish the principle that the office and function of money is to pass from hand to hand, and a corollary deduced therefrom is that, except while actually so passing, coins and notes are, as far as their effect goes, not money at all.

Whatever money, therefore, is hoarded, whatever is held up in banks, whatever is otherwise out of circulation, constitutes reserve of material available for circulation, but it is not a part of the active circulation; hence the tables above referred to are misleading, because in interpreting them it is generally assumed that all the money in each country is in circulation, whereas it is never all in circulation, and no one knows how much of it is circulating at any particular time of day or night.

One dollar that changes hands ten times a day does the duty of ten dollars used once in liquidating debt, effecting exchanges, and measuring values, which are the only uses of dollars as money; but the dollars resting in some man's pocket, or till, or safe, are functionless.

Now any theory of money distribution or currency supply must be defective that does not take account of the increased effectiveness of money by reason of repetition of employment, and also of the proportion between active circulation and reserve which obtains in different communities. These two principles are really what control the quantity of money required in any community, at any given time, and because these vary incessantly and independently, while the population is nearly constant numerically, it is impossible for the *per capita* requirement theory to have any foundation in reason, or to find any support from facts.

Legislation, therefore, influenced in any degree by efforts to apply this theory, is misguided and likely to prove injurious. To illustrate this view of the subject, money may be compared to the rolling stock of a railroad. Money is an instru-

ment of exchange through the transportation of value; railroad cars are instruments of exchange through the transportation of commodities.

Now what railroad manager would disregard these considerations and fix the number and capacity of the locomotives and cars for each road by the length of its track, or in proportion to the population of the country through which it runs?

Manifestly the best thing for railroads generally is that each company should be free and able to adjust the number of its locomotives and cars to its average needs, to hire out its idle stock when its own traffic is dull, to hire from its neighbors in times of activity.

Now within fifty years our railroads have marvellously increased in number and extension; this whole system of car-interchanging has come into existence and attained proportions but little appreciated by the general public, and although producers and consumers of every sort and everywhere are vitally dependent upon the uninterrupted use of the facilities of transportation they afford, there is among the people absolute confidence that the managers of these roads can and will provide cars and locomotives enough for all purposes. No one has dreamed of suggesting that the supply of these should be proportioned to the population; no one has proposed that the government should build locomotives and cars.

If such measures were adopted they would immediately disturb railroad management throughout the United States; every workshop for the manufacture of locomotives and cars would curtail its operations, stop the purchase of raw material, of castings, fittings, etc.; the purveyors of these articles would find their business paralyzed, and, after fifteen years of government effort to increase the supply of rolling-stock, there would be fewer locomotives and cars in the country than if the railroads had been let alone.

Is this not a striking likeness of the consequences of the effort made by the government to increase the supply of money in the country by first coining two million dollars' worth of silver every month and afterward buying, with notes issued for the purpose, 4,500,000 ounces of silver monthly? Are not the banks surrendering their circulation; are not credits curtailed; have not gold coins, estimated to amount to \$600,000,000, disappeared entirely from ordinary circulation; have not greenbacks become rare?

Since communities, however populous or geographically extended, consist wholly of individuals, and since all individuals are governed, in respect to these matters, by the same impulses and considerations, it follows that the supply of currency in every community will be distributed at any particular moment according, first, to the relative desire of different individuals to use particular amounts, immediately or prospectively; and, secondly, according to the relative ability of these individuals to obtain the amounts they severally desire.

If anything causes a large proportion of the individuals in any community to simultaneously accumulate currency, each having regard only to his own requirements, immediate and future, the aggregate of such withdrawals from the volume of currency will reduce that portion available for active circulation below the current needs in the community, and produce what is commonly called "a scarcity of money." It is a natural law, resulting from the uniformity of human action under like conditions, that a general opinion that such a scarcity is likely to arise tends of itself to produce that scarcity, because every man in endeavoring to provide himself with money enough to tide over the apprehended "squeeze," holds up all the money he can, and so helps to precipitate that very condition against which he is endeavoring to guard.

Now in spite of whatever efforts governments may make, no community ever retains for any length of time a greater volume of circulation than will suffice for its ordinary needs.

There is, therefore, always a tendency, under normal conditions of business and of political and social tranquillity, toward the establishment of an equilibrium between the average volume of daily cash transactions and the volume of the circulation, including in this term the checks, drafts, notes and credits which take the place of "lawful" money. This being the case, when an occasion arises, as above described, impelling a general resort to the holding up of money, scarcity is inevitable.

It is evident, therefore, that no amount of money emitted by the Government can avert periods of scarcity, and there are those who think that the somewhat regular recurrence of such periods is inevitable. It is, however, equally evident that the greater the area covered by any single monetary system, the less likelihood will there be of any occurrence producing a unanimous and simultaneous movement toward the holding up of money.

At the same time, if all over this area, through the agency of banks and the other appliances of modern finance, a free movement of money is practicable,

from one individual or bank or town or city or country to another, a temporary increase of need at one point will generally be coincident with and be supplied from a temporary superfluity at another. In this way actual scarcity would be prevented to a great extent, and the effect of an apprehension of scarcity would be reduced to the minimum.

It follows that periods of stringency are less likely to occur in proportion as the area and population under one monetary system become enlarged, and hence it may be inferred that if the whole world were under a uniform monetary system, such occurrences would be reduced to the minimum, if they were not rendered impossible.

The great majority of people are led to favor the *per capita* theory of money, not because they believe in it as a theory, but because it affords ground for increased issues of money by the Government, and they think that such increased issues will promote prosperity by "making money plentiful."

Let us therefore examine this latter proposition.

If one tries to think out the details of any conceivable process by which the mere plentifulness of money benefits any individual, he will find that he has to suppose certain conditions of means, opportunities, abilities and purposes, all of which must be combined before such an individual can appropriate any advantage to himself from the plentifulness of money, and then upon a close analysis it will be found that the advantage arises out of that combination, and not out of the plentifulness of money.

The fundamental fallacy of this whole notion, that the government should make money plentiful, lurks probably in a confusion of ideas about the effect of an abundant supply of money.

The dearth or cheapness of money must depend primarily upon the relation between the supply of loanable funds and the demand for the use of such funds. The term loanable funds is by no means restricted to actual money. Nearly all loans are made by credits entered on the books of a bank, or by checks or drafts or acceptances, and these pass into the general clearings of the community, of which only the resulting balances are settled in money; hence the mere plentifulness of money is only remotely connected with the supply of loanable funds. The state of trade, the prosperity of the community, the degree of confidence in the immediate future, and the general state of credit, immediately and directly, influence both lending and borrowing. Whatever tends to depress these, tends to raise the price of money by decreasing the supply of loans and increasing the demand for them; and, *vice versa*, whatever tends to improve trade and augment prosperity, whatever increases general confidence and strengthens credit, tends to make money cheaper by encouraging lenders and rendering borrowers less eager.

Now unnecessary, unwise, or ill-considered augmentations in the volume of the currency tend to produce the conditions that inevitably make money scarce and raise the rate of interest.

1st. They tend to unsettle values, and in that way to disturb trade adjustments, which disturbance in turn impairs confidence and abridges credit. Consequently lenders of money become timid and borrowers become more eager, money is held out of circulation and people say it is scarce.

2d. A government that assumes to itself the function of continually increasing the volume of money never reaches a point at which it can stop, because each augmentation tends to make money dearer, and since the object is to make money cheaper, there will always be a clamor to increase the scale of annual augmentations. A government so situated is like a horse going down hill in a wagon without brakes; he must ever be going faster and faster, and yet at each stride he augments the momentum of the mass that is pushing him to destruction.

Simply making money plentiful cannot exercise the least influence to increase the demand for any man's labor or products. A tradesman may have millionaires passing his shop every day without selling them anything, while he drives a good trade with boot-blacks and others whose means are limited and precarious, but who desire the goods he deals in, while the millionaire does not want them. If the money in the pockets of the passer-by brings no increase of trade to a shop, how can such increase come to it because of money lying in bank or held in the National Treasury?

It follows from this that it is no part of the duty of the government, in providing money for its people, to attempt to create supplies of money to any amount, arbitrarily or hypothetically determined upon in advance. The laws can and should be so framed as that the quantity of money in circulation will be determined, from day to day, by the demand for it. It is the demand for money, the extent of the need for its use, that should regulate its quantity.

Since money performs its functions as a medium of exchange by passing from

hand to hand, its effectiveness depends upon the number of exchanges effected by the same money in a given time. Rapidity and smoothness of circulation, not greatness of volume give effectiveness to a currency. To attempt to stimulate trade and so to increase general prosperity by creating a volume of money greater than can be used effectively, is not only futile but pernicious, because it inflicts, either upon the government or the people, the expense of carrying so much dead capital.

XVII.—VALUE.

Value is an abstract term expressing a relation—it does not exist in things said to possess it, but is imputed to them by human intelligence—it is not a quality of objects, but only an attribute with which they become invested. Value is very different from utility, though utility is generally, but not always, the basis of value. Utility is a physical relation, whereas value is an abstract relation. Brute animals have a perception of utility; they have no conception of value. Value is a purely human conception. Value may be primarily and generically defined as the relation between human desire and proximate objects of human pursuit. Those things with which nature supplies us gratuitously are not objects of pursuit, and therefore they are not invested with value; value comes wholly from unsatisfied desire. It is true this desire is excited by our knowledge of the qualities of the thing, and by our opinion that those qualities render the thing desirable; but this knowledge and this opinion are in our minds, they are not in the thing. Value being a relation, it must vary by degrees, not by quantities; and degrees of value, since value is the correlative of desire, must vary with the intensity of the desires to which they are related. But since value attaches only to that which, though desired, is as yet withheld from our possession, then value must vary also with the resistance to appropriation.

We may, therefore, measure the intensity of such desires by money or else by human exertion, say by hours or days of labor or of pursuit. Under civilization, cost, outside of civilization, intensity and duration of exertion, measure the obstacles to appropriating any desired object. Value, therefore, is measured by money or by human exertion during certain intervals of time.

But, it will be said, things already possessed have value. This is true, for their possession by one man is an obstacle to their appropriation by others; but it is only the desire of others to appropriate them that gives them value when in the hands of their possessor.

As an attribute only, value is potential, indefinite, undetermined, conditional, and only becomes actual, definite and determined when it is conditioned, and has assumed the aspect of a relation between the thing desired and one or more persons desiring it.

The force of gravitation produces relations somewhat like those expressed by the term "value." We are accustomed to speak of the weight of bodies as we speak of the value of commodities, but weight is not a quality of such bodies; it is merely an attribute expressive of a relation between its mass and the earth's mass.

Ordinarily, value varies according to demand and supply, as the phrase goes, and ordinarily demand is assumed to be as constant as the earth's mass is, while supply, being visibly variable, is represented by the mass and density of the lesser body.

While all matter is subject to the force of gravity, and under ordinary conditions that is a constant force, certain substances are subject to other forces which, because they tend to modify the influence of gravity, are habitually measured by the degrees in which they effect such modification. Motion is one of these forces; magnetism is another.

As weight is the relation between the earth's mass and any body suspended ponderably within the scope of the earth's attraction, so value, in a general sense, is the relation between the world's demand and any commodity suspended commercially within the scope of the world's attainment. Again, as motion is a relation between, on the one hand, the body moving and, on the other hand, definite points in time and space, so "value in exchange" (money or its equivalents) is the relation between the commodities serving as money, on the one hand, and definite standards or fixed points of value, on the other. Finally, as magnetism is a simple relation of elective affinity, so the intrinsic value of precious stones and objects of art seems to express that intensity of desire which distinguishes the pursuit of gratifications from the pursuit of objects of mere utility.

In the light of this conception, it may clarify our views of money to regard it as a value in action. It does exhibit some of the characteristics of force. It is a

debt-paying force under statute law; a labor-compelling force, and a purchasing force under industrial laws. Now, forces to be utilized must be measured, and their measurement is expressed in degrees of force, while the mode or scale of measurement depends upon a fixed standard, in like manner, money, to be useful, even as a debt-paying force, must be permanently related to some fixed standard of value.

Commerce deals in commodities; finance deals in values. Commodities are things classified according to their substance, their utility and their distribution; values are things classified according to their value, without regard to substance, utility, or distribution.

Regarded as a whole, commerce is really reducible to a complicated system of barter, of which finance is employed in keeping an account. The commodities exchanged in bulk by commerce are here measured by value, regardless of their substance. Every invoice is represented by a bill of lading describing its substance (commercial force) and a bill of exchange specifying its value (financial force). Bankers deal in these, and when balances arise between individuals, cities, sections, or countries, bankers (who are merchants of money) transfer the "boot" that "evens the trade." Banks perform this office for individual traders, cities, and sections; clearing houses perform it for banks; the body of foreign bankers perform it for the foreign commerce of the country considered as a whole.

This being the case, it follows that the principles of barter, of simple trade, must apply to all commercial and financial operations; that the ciphers which in notation distinguish 1,000,000 from 1, merely change the degree of whatever force the integer possesses—1,000,000 dollars is simply one dollar raised to the millionth power, as a million bushels of wheat means one bushel repeated a million times. The commerce of the country, though expressed in hundreds of millions of dollars, is made up wholly of transactions conducted by individuals; all of these are reducible, as we have seen, to a common denominator, value; hence in the aggregate they are subject to the laws and influences that apply to each separate transaction, and to none others.

XVIII.—THE STANDARD OF VALUE.

Ephron the Hittite, dwelling among the children of Heth, owned a field which Abraham, who had come to Hebron to bury Sarah, his wife, desired to buy for a sepulchre. Ephron pressed it upon him as a gift; Abraham insisted upon paying "the full money it is worth." Whereupon Ephron said, "The land is worth 400 shekels of silver."

We feel as much confidence as Ephron expressed as to the money our property is worth; yet statesmen, financiers, and economists have been for a hundred years debating what is the standard of value, and are to-day undecided whether the labor that produces values is also the basis of their measurement, or whether values and labor, too, are measured by gold and silver. In recent years another question has arisen, viz., whether gold alone should or should not be made by law the sole standard of value.

The existence of trade creates the need of a standard of value, and since trade at the present day is world-wide, there is now a necessity, not existing even a hundred years ago, for a world-wide standard of value. Millions of us buy and sell things by yards and pounds, bushels and gallons, and are content with the implements kept in the shop or those sold to us for use at home. We assume that they are correct, and make them the standards for all our measurements—without recalling, even if we know, that the laws require implements of measurement to conform to certain standards carefully and accurately constructed, which are kept under lock and key at the National Museum at Washington.

So it is with our value-scales; we use dollars, etc., as measures of value, without reflecting that their usefulness for this purpose depends wholly upon their correspondence with the standard of value fixed by law, just as the usefulness of foot-rules, quart measures, and pound weights depends upon their conformity with the legal standards of dimension and weight.

We have seen how in each country the monetary unit serves as a standard by which local money is maintained at uniform value, so that any of it may serve as a measure of value in the daily traffic of the people; and the same principle requires that all nations that trade together must have a standard of value common to all.

It has been established in Chapter XV. of this treatise, that whatever settles balances at any focus of exchanges is alone competent to serve all the purposes of money throughout the area traversed by the transactions settled at that focus; hence, so far as the purely commercial aspect of the question is concerned, it

would appear that all countries able to do so should make their monetary unit of gold, because gold alone settles balances in London, which, being at the focus of the world's exchanges, is the world's clearing-house. It is idle for us in the United States, or for any other nation, or set of nations to rebel against this requirement of commerce, because resistance is futile.

No particular nation or people can separate itself from others in respect to the medium for settling international balances, except under the penalty of commercial inferiority, if not isolation; for the condition of commercial fellowship among civilized nations is that each shall conform to the general practice of all. This principle asserts itself whenever communities, nations, races or still greater aggregations of men are animated by a common purpose or seek an end desired by all.

In our age, finance rules the world, and London is its throne; finance holds supreme sway over values; hence its empire includes every man, woman and child on the face of the earth who is engaged in industry, or who is remotely dependent upon those so engaged, because industry must be ever producing values, and it is ever dependent upon finance for effecting the exchanges by which alone its products are distributed and its productive forces nourished. Lombard street is the focus of those exchanges, and whatever measures values in Lombard street must necessarily determine and control values wherever industry plies the plough the pick, the hammer, the shuttle, or the yardstick.

Whether we consent or not, therefore, whether we approve or not, as long as the world has Lombard street for its clearing-house, just so long must we conform to the standard of value there.

The fact that London is to-day measuring values in gold, although values were once measured there in silver, suggests an inquiry as to whether formerly silver and now gold are ultimate standards, or whether these are merely implements of value-measurement based upon and conformed to some higher, broader, and more permanent standard, as the French standards or units of physical measurement are based upon geometrical data.

This opens up the question as to what is the true scientific standard of value.

No object will serve that purpose unless it fulfils the œcumenical conditions, *Semper, ubique, ab omnibus*; that is, it must "always, everywhere, and by all men" have been regarded as of prime value. Evidently, if such values exist, it is among them that we will find the standard we want.

Quite a system of political economy has been constructed upon the dictum that human labor is the ultimate standard by which all values are determined. This is an attractive notion; but it is not true and it would be unfortunate if it were true, because human labor itself is by no means a constant force, for it is affected by precisely those qualities, physical, intellectual, and moral, which distinguish individuals from each other.

There is no kind or amount of human labor that will produce, in the same time and under like conditions, at Calcutta what the same kind and amount produces in New York, whether measured in wages or in any other way. How, then, could any given modicum of labor be used in either of these places to measure the value there of the products of the same modicum of labor performed at the other place?

Again, almost every man can earn more and do better for himself in one place, or in one employment, than in any other. This truth is the foundation of Adam Smith's practical exposition of what he termed the division of labor; it is the keystone to the philosophical doctrine of free trade, but it utterly excludes from possibility of verity the theory that human labor is the ultimate standard of value.

Since neither human life nor human labor can be used as a standard of value, we must look for that standard among the various forms of property, and especially among the substances to which mankind has everywhere and always attributed the highest value as objects both of possession and of pursuit.

Again, since values differ among themselves by degrees, since they rise and fall by gradation, a standard of value must be capable of systematic and accurate subdivision, without loss of value. Such adaptability to subdivision must apply not only to the mass, but also to those qualities of the substance in which its value inheres, so that, of any two equal quantities of the substance selected as a standard of value, either will be worth as much as the other, and any fraction of one of these quantities will be equal in value to a like fraction of the other. This property of continuous divisibility, without loss of characteristics or value is the distinguishing quality of all metals which are capable of being brought into a state of uniform purity.

We have already seen that many different substances have been used as money, and that all have been forsaken for metals, as communities advanced in

industrial development. Even under present conditions, it is conceivable that the world might get on with a standard of value based on one of the grosser metals, such as iron, tin, or copper, because those metals possess value and also the property of accurate subdivision; but since the number of metals affords a choice among them, that choice has fallen finally upon silver and gold. It is obvious that, in fixing upon silver and gold to be standards of value, modern nations have simply followed a natural law, because these metals have always been, and are everywhere, regarded by all men with the highest degree of estimation, *i. e.*, they have been more constantly and more universally than all other metals, objects of that relation which is designated by the term value, and hence are the best fitted to be exponents of value.

Without reference, therefore, to the questions raised by the bi-metallists, let us proceed to inquire how it has come about that the world is now gravitating toward the single gold standard. We have already seen that universal industry produces universal commerce; universal commerce requires a world's clearing-house; London is the clearing-house; in London gold is the money of ultimate settlement, and all the advanced countries of the world seem to be under compulsion to adopt the same usage. Now, why does London insist on gold?

XIX.—THE GOLD STANDARD.

The gold standard has not been established by measures designed to bring about that result, but it has come into use under the influence of commercial forces, which in their origin, nature, and effect were altogether independent of any reasoning or theorizing as to the material of money or the measurement of values.

The adoption of gold as the sole standard of value, wherever these changes have occurred, is just as natural, as inevitable, and as final an outcome of such changes as are the substitution of steam-power for horses in land transportation and for sails in navigation; the substitution of gas and electricity for whale-oil and candles in illumination; and the substitution of iron and steel for wood in ship-building. None of these substitutions occurred suddenly. They were at first proposed by theorists, and were long contended for in argument; but in all cases they worked their own way slowly, by experiment at obscure initial points, widely apart, and are established now only because they are the best things of their several kinds that the world has had any knowledge of, and they are destined, no doubt, in their turn to be supplanted by other things now unknown and undreamed of.

The communities that earliest adopted these improvements have longest enjoyed their benefits, and have thereby become recognized as among the advanced communities of the world. Those that have not yet adopted them are laggards in civilization.

To understand how the adoption of the single gold standard is related to all these other substitutions of the new and better for the old and worse, will be found easy enough if one bears in mind the principles which have been set out and illustrated in the preceding chapters of this treatise. 1. The principle that progress in respect to the material of money has always been, and must always be, from less valuable to more valuable substances. (Chap. IV.) 2. The principle that confidence is a *sine qua non* of the monetary efficiency of any circulating medium. (Chap. VI.) 3. The principle that definiteness and stability of value are indispensable qualities of money. (Chap. VIII.) 4. The principle that only money, good everywhere within a given area of industry or trade, is available in the settlements of balances at the point upon which the exchanges of that area are centred. (Chap. XV.) 5. The principle that there can be but one standard of value in any such area. (Chap. XVIII.)

While it is evident that "the nature of things" is responsible for the use of gold as the sole medium of settlement in London, it may be interesting to follow the process by which the transition from silver to gold has been effected.

The changes mentioned above as having been wrought during the present century, have reduced all values except the value of human endeavor, but this last has never before been so well compensated as it is now. And since, simultaneously, all other things have been cheapened, the earnings of men bring them in vastly more in all articles of need, of comfort, and of luxury than could have been acquired by the same effort at any previous time.

In early days obstructions to transportation were so great that values in any one place maintained a degree of stability impossible under present conditions. Areas of reciprocal trade were circumscribed and the barriers of nature were so effective that commerce could break through them at only a few points and by methods both tedious and costly. Robbers infested the overland routes, pirates roamed the seas; hence overland transportation was dependent upon caravans

under military escort, and marine commerce was hazardous beyond modern comprehension.

The result of this general condition was that the industrial world was made up of numerous distinct communities, with but little local trade in any, and very meagre intercourse with each other. Under such conditions the stock of money in each of these communities was of small value and consisted of numerous pieces of minute denomination. Silver was the only precious metal cheap enough to serve as a multiple of these minute monetary values, and the obstacles to transportation kept each community's stock of silver nearly constant in quantity, and consequently nearly stable in value. If there had been any use for gold as money in such communities the stock would have been more variable, because value is more portable in gold than in silver, and consequently its value as a basis would have been less stable.

The present condition is the opposite of that then existing, for now industry is co-extensive with civilization, and commerce is almost universal, so that there is hardly anywhere a community without trade, or beyond the influence of the world's commerce. This condition of industry and trade necessitates incessant settlement of balances between trade centres, and these balances are very large in amount—so that gold now derives its equability of value from its superior portability because transportation facilities are so universal and so cheap that the slightest elevation of value at one point sets in motion currents of supply from many other points, and the effect is the preservation of the world's stock of gold at very nearly the same value everywhere.

The natural laws that control the currents of the air, and the formation and condensation of clouds, are not more constant than are the natural laws that control the currents of commerce, and the distribution of capital.* It is natural law alone that has gradually made gold the prime standard of value. Thus it came about that Great Britain was the first nation to adopt the single gold standard (1816), while for a long time afterward other nations did very well without it. The principal countries of Continental Europe were commercially isolated by the protective system, and their bi-metallic currencies supplied not only the needs of domestic circulation, but gold for trade with gold countries, and silver for trade with the South and East.

Before the advent of ocean steamers the United States were geographically isolated; hence here, too, there was for a time a bi-metallic circulation; for we used gold to settle Canadian and European balances and silver to settle balances arising in the trade with Central and South America and the West Indies. The debasing of the gold standard in 1834 drove our silver coins abroad, and from that time we were practically on a gold basis until 1860; but to-day commerce has brought all nations into one monetary community, and forces upon all, in "the nature of things," the use of one and the same standard of value. Silver now suffices as a standard of value in Mexico, Central and South America, and Asia, because these countries are still in a comparatively primitive state of industrial development.

At the beginning of the nineteenth century Great Britain was by far the foremost commercial nation of the world, and there industry was more active and diversified, labor was better compensated and consumption more extended than anywhere else; hence it is in accordance with the principles stated above that Great Britain should have early adopted the single gold standard.

Next to Great Britain the United States became, early in the century, the country of greatest and most diversified industrial and commercial activity, and consequently, in 1834, this country adopted in fact, though Congress did not establish by law, the single gold standard.

Up to 1834, gold coins could not circulate in the United States, and the country was practically on the silver basis. After 1834, silver dollars could no longer circulate, and the country had only the gold standard up to the suspension of specie payment at the outbreak of the Civil War—a period of nearly twenty-eight years—during which the United States gained more in industrial development, commercial extension, population, and a generally diffused prosperity of the people, than in all their previous existence.

The same inevitable law that imposed the gold standard on Great Britain in 1816, that maintained it in this country from 1834 to 1862, and that impelled Bismarck to try to establish it the moment Germany became an Empire, would have been at work among us driving us by the scourges of industrial depression and disorder toward our proper destiny as the controlling gold standard country of the world. We know what the country has gained under the gold standard since 1879.

* The efforts now being made to preserve the monetary use of silver in international trade are on a level with the pranks of Dyrenforth, and are destined to a like failure.

No one can compute what we might have lost if we had been during the same period on the monetary plane of India, Mexico, and China, with all industrial Europe raised to the higher level of the gold standard, and kept there by the weight of our silver circulation bearing down the other end of the lever.

Gold mono-metallism is the unavoidable destiny of this country; the sooner we recognize this and fix it in our laws, the sooner will we reap the fruits; the longer we defer the recognition, the more we impede and postpone its establishment by law—the longer will our industries be hampered and all our business deranged by financial naress and commercial apprehension. Should we unfortunately let go the single gold standard, there will be nothing to take hold of but silver mono metallism; for bi-metallism for us is a snare and a delusion.

ANTI-FAT.



CHORUS—"If those are its cures, we don't want that medicine."

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“FOR INSTANCE :”

Is gold appreciating in value ?

That is hard to say. Compared with labor, it is steadily depreciating. In each five year period of the last fifty years, a given amount of labor commanded higher wages in gold than in any similar period before.

But suppose gold has appreciated.

Then it is so much the better for the wage-earner. Wholesale prices of goods change daily, retail prices every week or two, but wages only once or twice a year, or even less frequently. This means that the wage-earner, paid on a gold basis, can get more and more goods for the wages he receives.

What would be the effect upon the American farmer of expressing his prices in silver ?

If he got the same price in silver that he now gets in gold, he would receive only half the purchasing power he now gets. If prices doubled he would get just the same that he now gets; in one case he would lose and in the other he would make nothing.

Why are the silver dollars called the “Dollars of the Fathers?”

Because the Fathers made very few of them, called silver's expulsion of gold “an unhappy experience,” and changed the law so that gold drove out silver.

A FINANCIAL CATECHISM.

FRED. PERRY POWERS.

	PAGE.
MONEY AND ITS MATERIALS.....	389
FIAT MONEY AND LEGAL TENDER.....	391
VOLUME OF MONEY AND PRICES.....	392
BIMETALLISM IN HISTORY.....	395
BANKS AND DEBTS	399
DECLINE OF PRICES.....	401
NATIONAL POLICY.....	404

MONEY AND ITS MATERIALS.

What is money ?

Anything that circulates freely and customarily between man and man in exchange for services and merchandise.

What two main classes of money are there ?

Merchandise and promises to pay merchandise.

Give examples of each.

Skins, shells, metals, etc., are merchandise and serve the purpose of money just in proportion as they are desired for use or ornament by any community of men. Pieces of paper and like substance serve as money when they convey to the bearer the right to a certain quantity of specified merchandise.

Why have gold and silver, more than other things, come to be used as money ?

Because they are desired by all men, everywhere and at all times.

Where wages and prices are very low, and transactions rare and petty, gold coins would be too small or too valuable for convenient use. Where wages and prices are high, and exchanges frequent and large in amount, silver coins would be too heavy, or too many of them would be needed for convenient use.

What do the money metals indicate, then, as to a country's condition ?

The brass "cash" of China indicates that the people are in a state of extreme degradation; the silver dollar of Mexico indicates a higher condition of the people; the gold coin and its paper representatives of the United States and the greater part of Europe indicate the highest industrial condition.

Whence comes the idea that while gold may do for the rich, silver money is more suitable for poor people ?

From a confusion of quantity with value. Of food a man needs quantity and the cheaper it is the more easily he can procure it. Of money he needs value, and it is no easier to earn a dollar's worth of silver than a dollar's worth of gold.

France, at the head of the Latin Monetary Union, of course uses little or no gold ?

On the contrary, she has a larger stock of gold than any other country of Europe or America; she has \$275,000,000 more than England has.

And India—gold not being a legal tender, or used commonly as money—of course the people there care nothing for gold ?

Far from that; a commission in 1866 reported that the desire for the coinage of gold was universal in India. The net imports of gold into India since the metal was demonetized in 1835 have been \$750,000,000, and it is estimated that there was in the country \$600,000,000 of gold when it ceased, under British jurisdiction, to be coined.

But if all the nations want gold will there be enough to go around ?

We can have the best, and it would be an extraordinary spectacle of self-abnegation for the United States to take silver in order that there might be gold enough for other nations.

Is not the gold giving out ?

There was produced in the world from the discovery of America to 1850 152,779,050 fine ounces of gold, and from 1851 to the end of 1894 there was produced (the figures for 1894 being partly estimated) 261,669,379 fine ounces. In the first five years of California and Australia production the world's production was 32,051,621 fine ounces, and in the past five years it was 34,894,537 fine ounces. During the past ten years there has been an increase in the output of every important gold yielding country.

Is not the total stock of gold very small ?

If it were needed in large quantities it would be insufficient. But last year's product beaten in to a leaf would cover 55 square miles, or drawn into thread would reach the sun four times.

But does not the expansion of commerce make greatly increased demands for gold money ?

There is computed by the Mint Bureau to be in the world \$3,965,900,000 of gold money. The largest net movement of gold to or from any country in any one of the last 30 years was \$97,466,127 net imports of the United States in 1881. This is less than two and a half per cent. of the present stock of gold money, excluding the considerable gold hoards of China and the enormous gold hoards of India.

Does not the demand for gold in the arts make it too valuable for money ?

No; its only competitor, silver, is being disused because it has not value enough. If you could deprive iron of its specific gravity you could not make weights from it.

Is not the use of the gold standard by England a reason why we should use something else ?

Not unless the use of other modern improvements by England is a reason why we should refuse them, and stick to stage coaches instead of building railways.

Is not England trying to get the rest of the world to use gold ?

No ; Englishmen lend or invest pounds sterling, and they get their returns in pounds sterling, and it is a thing of small importance to them how many dollars or rupees or tael make a pound.

FIAT MONEY AND LEGAL TENDER.

Are paper representatives of merchandise just as good for monetary use as merchandise itself ?

They are better, because lighter and more convenient, if every person is sure that the promise on them will be kept in full and at all times.

Besides merchandise and promises to pay merchandise is there any other kind of money ?

Yes, " fiat " money, which is a piece of paper or other thing of insignificant value on which is stamped a statement that it is so much money.

Where does it get its name ?

From the fact that " fiat " means " let there be," and is the expression attributed to the Creator when He made the universe out of nothing,

Can any human being or government create anything ?

It cannot.

Why is not " fiat " money successful ?

Because, as President Lincoln said, you can fool some people all the time and all the people some of the time, but you can't fool all the people all the time.

But why shouldn't it succeed ?

Because men will not give their labor or goods for nothing.

Couldn't people be brought to use " fiat " money ?

Reason and common sense are against it, and experience proves that they won't. Besides, if you were asked to fix your wages or prices in " ralloes " how many would you charge ?

I don't know how much a " ralloed " is.

Well, you know as much about the value of a " ralloed " as you would about the value of a dollar if it were not a specific quantity of something.

Can Congress determine how many yards of cloth or bushels of grain, an ounce of gold, or of silver, shall equal in value ?

It cannot.

What is to prevent—the Constitution ?

Not the Constitution of the United States, but the constitution of man. Congress can no more regulate the relative intensities of human desire than it can regulate the length of day or night.

If Congress can make 25.8 grains of gold a dollar can it not make a piece of paper seven inches by three a dollar ?

Yes, but that kind of a dollar would not buy anything.

Cannot Congress pass a legal tender act ?

Oh, yes, if a man in the past has loaned a thousand dollars Congress can say that the debtor is discharged when he offers a thousand worthless " fiat " dollars.

Isn't that making " fiat " dollars just as good as any other kind of dollars ?

It is so far as giving the debtor the thousand dollars that he ought to pay his creditor but it does not help a man to buy food and clothes, because the merchant will raise his prices for a while and finally refuse to sell at all.

What would the merchant do then ?

Keep his goods till he found customers who would barter their merchandise for his.

Are not legal tender acts passed for the benefit of the common people ?

Not much ; they are passed by the men who issue bad money to try to force it into circulation ; good money will go of itself.

Give an illustration.

When the Russian Government was using marten skins, which had a value, as money in its eastern dominions, it got short of funds, as governments are apt to, and it cut off

the scalps of the martens and compelled the people whom it owed for labor or material to take a scalp for a whole skin.

By whom have cheap moneys always been introduced ?

By smart financiers and impecunious kings.

What is the earliest example ?

It was one of the crimes of Dionysius, Tyrant of Syracuse, about 400 B. C. that as Aristotle says : " When he was short of money he coined some tin, and having convened an assembly he spoke much on behalf of the new coinage ; and they passed a decree, even against their will, that each would consider what he should take of it as silver and not as a baser metal."

Mention a modern instance.

Emir Abdullahi coined a quantity of copper cartridges which the Egyptian troops left when they evacuated Harar in 1886, and ordered the brokers to exchange them at the rate of one silver thaler for 21 coppers. That is, he established a mint ratio. With much denunciation of the sin of usury, and of the crimes of the " money power" the Emir commanded the people to receive the coppers under penalty of flogging and imprisonment.

What was the result ?

A German traveler who visited the town soon after this says that the consequence was a tumble in the value of all property ; the Gallas of the neighboring district kept away from the market, and this caused distress and embarrassment.

Did not the cheap money raise prices and boom business ?

On the contrary, silver disappeared and trade was checked.

If the people thought the Government would not be able to redeem its promissory notes in gold would it make any difference in their treatment of the different kinds of currency ?

It would, indeed.

Has it ever happened ?

Several times when it seemed likely that Congress would pass a bill for the free coinage of silver, people who held the promissory notes of the Government got them redeemed in gold and put the gold away.

Did anything of that kind happen in 1893 ?

Early that year the stock of gold in the Treasury was so low that people were afraid it wouldn't hold out, and banks or individuals who held " Sherman" notes, or greenbacks, turned them into gold at the Treasury.

VOLUME OF MONEY AND PRICES.

Did the Act of 1873 cut the volume of our money in two ?

It demonetized no silver money then in existence.

But the disuse of silver for coinage must have destroyed one demand for the metal and contributed to its fall in price ?

On the contrary, over four times as much silver was used in making trade dollars as had been used for eighty years in making standard dollars.

Were the trade dollars legal tenders ?

No, but it took just as much of the product of the mine to make them as though they had been legal tenders.

Has there not been a great diminution in the amount of silver used in this country as money since 1873 ?

There has been an enormous increase. All the silver dollars coined down to 1873, and all the minor silver coined down to 1853, when it ceased to be legal tender, amounted to about \$83,000,000. Since then we have had thirty-five millions of trade dollars and over 423,000,000 of standard dollars, and \$124,583,685 worth of silver bullion stored in the Treasury and represented by " Sherman" notes.

How much demonetization of silver has there really been ?

The sales of silver by Germany from 1873 to 1892 were 115,822,813 fine ounces, which is 6 per cent. of the world's production in that period and not far from two years' product of the mines in the United States. Some of this was used again as money, and there were small sales of silver by the Scandinavian countries. Practically all the German sales were completed sixteen years ago.

Then prices can not have fallen on account of contraction ?

There has been a great increase in the amount of silver used as currency.

But isn't it the volume of the "money of ultimate redemption" that regulates prices ?

This theory was invented after the theory that the volume of all money regulated prices had been exploded by facts. If there were such a scarcity of money of all kinds that people couldn't get it to buy with, and nobody had credit enough to get goods and have them charged to him, then the contraction of the currency would reduce prices. But paper money or book credits would permit buying to go on, so that there is no conceivable way in which the "money of ultimate redemption," in distinction from other money, could affect prices. When there is a great expansion of credit the readiness of people to buy raises prices without any addition to the amount of money. It is business that makes the volume of the currency, and not the volume of the currency that makes business.

Has there been a reduction of the "money of ultimate redemption" since 1873 ?

There has not even been a reduction of this part of the currency. In 1873 there was no "money of ultimate redemption" in the country except a trifle on the Pacific coast. In 1880, just after the resumption of specie payments, the gold coin amounted to \$351,841,206, and at the end of 1894 there was \$583,834,599 of gold coin in the country and \$46,305,066 of gold bullion in the Treasury.

What was the total amount of money in the country and the amount *per capita* in 1873 and at the end of 1894 ?

In 1873 there was \$774,445,610 in the country, of which \$751,881,809 or \$18.04 *per capita* was outside the Treasury ; in 1894 there was \$2,241,980,552 in all, of which \$1,637,226,451, or \$23.72 *per capita* was in circulation. Including money in the Treasury the amount of money in the country, *per capita*, was \$24.05 in 1880 and \$35.46 in 1894.

What was the *per capita* amount of "money of ultimate redemption" in July 1880 and December 1894 ?

The gold coin, together with the gold bullion in the Treasury, amounted to \$7.01 per inhabitant in 1880 and \$9.13 in 1894.

Has there been in Europe a large contraction of the "money of ultimate redemption" ?

No ; the following figures, except for the Bank of France this year, are from a paper submitted by Prof. W. Lexis to the German silver commission of 1894: Germany has twice as much gold and silver money as she had twenty years ago, and her present stock of gold, \$595,000,000, is greater than her stock of both gold and silver, \$404,600,000, in 1873. The population has increased one-fourth while the specie has doubled. Since 1873 France has increased her specie \$357,000,000 ; the gold in the Bank of France has increased since 1874 \$215,000,000, and the population has remained stationary. The net imports of gold into England from 1873 to 1892 were \$180,880,000.

What is the *per capita* circulation in France ?

According to the estimates of our Mint Bureau, gold \$21.54, silver \$12.85, paper \$2.31, in all \$36.70.

What is the *per capita* circulation of Germany ?

Gold \$12.65, silver \$4.35, paper \$1.78, in all \$18.78.

Are prices twice as high in France as in Germany ?

Of course not.

How does money minister to human happiness ?

By leaving its possessor in exchange for something he wishes.

Does everybody spend all the money he gets?

Everybody except the man who puts his money away in a stocking.

But what about the men who save money?

That is a mere form of expression. We say a man saves money when he spends money for investments, or lends it to a bank to be loaned again.

Is it an advantage to the seller to have dollars that come easily?

Obviously.

Is it an advantage to the buyer to have dollars that go easily?

Certainly not.

What, then, is the advantage of a cheap dollar?

None; every man takes in and pays out the same kind of dollars and the same number of them.

Every man?

The man who has borrowed more valuable dollars and is permitted to repay less valuable dollars, of course, gains by the process, but ninety-seven or ninety eight per cent. of money is used in current purchases, and here it is as broad as it is long; the dollar that comes easily goes easily.

What is the ideal dollar?

One that will buy a great deal when you are spending it with other people, and that will buy very little when other people are spending it with you.

If Congress should enact that 25.8 grains of gold and sixty pounds of wheat shall be interchangeable, would that make "dollar wheat"?

Certainly not. If the Government offered to exchange gold and wheat on this basis all the wheat in the world would be offered to it when the commercial price was lower, and when the commercial price was higher no wheat would be offered to the Government; it would all go in pursuit of the higher price.

Suppose we established the silver standard here. what would be the effect on prices?

They would probably rise?

Have you any doubt about it?

Not much, but the silver men insist that prices have not changed in silver-using countries on account of the fall in the value of the metal.

A rise of prices would be a good thing, would it not?

It would be a good thing for the sellers for a while, but in the long run all men are buyers and all men are sellers, and when the change was completed everybody would be in the same relative position as before.

Would not every one receive more money?

Every man would receive twice as many dollars, and each dollar would be worth half as much.

How is that?

If the law declared that 30 pounds of wheat should be a bushel, every farmer would have twice as many bushels as he has now, but each bushel would be worth only half as much.

If we made 30 pounds of wheat a bushel, would we not get twice as much money from an Englishman for a ton of wheat as we now get?

Not much.

If we introduced a cheaper kind of dollar so that prices of wheat and cotton should be doubled here, would not that double the price in Europe?

What nonsense!

What would be the effect upon the American farmer of expressing his prices in silver?

If he got the same price in silver that he now gets in gold, he would receive only half the purchasing power he now gets. If prices doubled he would get just the same that he now gets; in one case he would lose, and in the other case he would make nothing.

Might not prices go up more than double?

Why should they ? If 30 pounds of wheat made a bushel, a man could not possibly have more than twice as many bushels as he has now.

It has been said that if we would adopt the silver standard we could drive English goods out of silver-using countries ; how could that be done ?

If our manufacturers would take the same number of silver dollars that they now take of gold dollars, it would amount to cutting their prices in two, and, of course, they would undersell England.

How would the manufacturers like that ?

They say prices are too low now.

But suppose that bimetallism raised the value of silver ?

Then we would not be underselling England. We cannot change the prices of our cotton and wheat in England, or of our cloths and machinery in South America, by any currency legislation whatever, and least of all can we raise the one and lower the other simultaneously and by the same legislation.

BIMETALLISM IN HISTORY.

What is free coinage ?

Exchanging a pound of coin for a pound of bullion.

Then the coin would circulate at its bullion value ?

Necessarily. As Burns says :

The rank is but the guinea's stamp,

The man's the gowd for a' that.

When is coinage not free ?

When the Government buys bullion, and makes coins worth more on their face than their bullion value.

At what value does such coin circulate ?

At its face value, if limited to the quantity the community finds it necessary to use.

If there were free coinage of silver here would the coins circulate at their bullion value ?

Inevitably.

Then where would be the profit of the producers of silver ?

They could only benefit from an increased demand for silver for monetary use. As the consumption of 459,946,701 fine ounces of silver for money in this country from 1878 to 1893 did not prevent the fall of silver, it is evident that the mine owners can hope for nothing in this direction except by driving gold out of the country, and replacing it with silver. Some advocates of free coinage are actuated by a desire to raise the price of bullion, and others by a desire to lower the monetary unit. Both of these purposes can not possibly be accomplished.

But suppose we could have free coinage without lowering the present value of the dollar ?

There would be enormous profits for the owners of silver mines.

Does bimetallism consist in the use of both gold and silver ?

No, it consists, so far as the law goes, in the free coinage of both metals, and so far as the fact goes in the simultaneous and concurrent circulation of gold and silver, with the free coinage of both.

Does bimetallism exist anywhere ?

Nowhere ; not even in France, where free coinage ceased in 1878.

Is the bullion in ten silver dollars worth the bullion in an eagle ?

Only about half as much.

Was that always so ?

No ; when the first mint law was enacted one pound of gold was worth fifteen pounds of silver, or that was the conclusion Alexander Hamilton reached after careful investigation.

The United States was an independent nation ; why did it not make its own ratio between gold and silver, instead of trying to learn what the ratio in Europe was ?

Because Mr. Hamilton and the other founders of this nation were men of sense, who dealt with facts and not with dreams.

Mr. Jefferson was particularly antagonistic to the "effete monarchies," was he not? He entertained extreme views of the power of the American people; he certainly must have insisted on their right to make any ratio that was for their interest, and as they were poor their interest must have been to have poor money.

On the contrary, he said: "Just principles will lead us to disregard legal proportions altogether; to inquire into the market price of gold in the several countries with which we shall principally be connected in commerce, and to take an average from them."

It is said that the silver dollar was the sole monetary unit from 1792 to 1873.

It is not so. The act of 1792 provided for the coinage of gold and silver at a certain ratio, on the same terms. A single unit was struck in silver and multiples of the unit in gold, because a gold dollar is inconveniently small, and a ten-dollar silver piece would be absurd.

How did Alexander Hamilton understand the unit?

In his mint report he said: "If each of them [gold and silver] be as valid as the other in payments to any amounts, it is not obvious in what effectual sense either of them can be deemed the money unit, rather than the other. If the general declaration that the dollar shall be the money unit of the United States could be understood to give it a superior legality in payments, the institution of coins of gold, and the declaration that each of them shall be equal to a certain number of dollars would appear to destroy that inference."

But it is urged that in 1834 it was the gold dollar and not the silver dollar whose weight was changed.

That was because the gold dollar had been driven out of use, and its weight could be changed without effect upon business.

If it were true that the act of 1792 made the silver dollar the exclusive standard would it be true that it remained so till 1873?

No, for the gold dollar was made in 1849.

What conclusive evidence is there that the standard and the material of the one dollar piece are not identical?

The fact that the coinage of the gold dollar was stopped in 1890, while silver dollars are still coined but the gold standard prevails in our coinage.

Of course gold and silver remained at the ratio Congress fixed?

They did nothing of the kind; when the market ratio changed a little gold disappeared and left the country with a silver circulation.

Who says so?

The currency committee of Congress in its report of February 2, 1821, said of the mint ratio established by Hamilton: "It is sufficient to know by unhappy experience that its tendency is to rid us of a gold currency and leave us nothing but silver."

What else?

Secretary Ingham, May 4, 1830, in response to a Senate resolution of inquiry, said: "The history of coinage proves that little reliance can be placed on artificial regulations of relative values of the standard measure of property as a means of maintaining a regular currency of uniform value. * * * The proposition that there can be but one standard in fact is self-evident. * * * The history of coinage abounds with mint regulations to keep gold and silver together, and statutes prohibiting under severe penalties the exportation of either; all of which have disappointed every expectation of their projectors."

Any more testimony of this sort?

Mr. C. P. White's select committee of the House on coins said in a report, June 30, 1832: "The committee * * * cannot ascertain that both metals have ever circulated simultaneously, concurrently and indiscriminately in any country where there are banks, or money dealers."

Is that all ?

No ; Thomas H. Benton said in the Senate that everybody knew that gold was undervalued and "expelled from circulation." Finally Congress, in 1834, raised the mint price of gold from 15 ounces of silver per ounce to 16 ounces of silver per ounce.

Why are the silver dollars called the "Dollars of the Fathers ?"

Because the Fathers made very few of them, called silver's expulsion of gold an "unhappy experience" of the country, and changed the law so that gold drove out silver.

Was not the silver dollar extensively coined by the Fathers?

From 1793 to 1850, when California gold entered the circulation, there were coined 2,456,990 silver dollars and \$85,446,392 in gold.

Who stopped the coinage of silver dollars?

It was stopped in 1805 by the man who wrote the Declaration of Independence.

When was the coinage resumed?

Only a thousand silver dollars were coined in the eight years Andrew Jackson was President ; the regular coinage was resumed under the Administration of Martin Van Buren, who was accused of being an aristocrat and of using gold spoons.

When Congress offered sixteen ounces of silver at the mint for an ounce of gold did silver stay in circulation?

No ; silver went where an ounce of it was worth more than one-sixteenth of an ounce of gold.

What evidence of that is there?

In 1853 Congress reduced the weight of the halves, quarters and dimes, making them worth more as money than as bullion, and Representative C. L. Dunham said in a speech Feb. 1, 1853 : "There is, then, a constant stimulant to gather up every silver coin and send it to market as bullion to be exchanged for gold, and the result is the country is almost devoid of small change for the ordinary small business transactions." Twenty years later the coinage of the silver dollar was stopped on the plainly declared ground that it had long ceased to circulate.

Has any other country had difficulty in keeping gold and silver in circulation at the same time?

Yes ; the English Government of India readjusted the weights of gold and silver coins four times between 1769 and 1835 in its efforts to keep both in circulation, but did not succeed, and finally gave it up and made silver the exclusive legal tender in 1835.

What! Did Englishmen demonetize gold?

They did, and nearly thirty years afterward the Imperial Government refused to sanction the proposal of the Indian Government to make gold a legal tender.

But bimetallism was a great success in France?

It did not secure the concurrent circulation of gold and silver, which is the main object of bimetallism according to most of its advocates. From early in this century till 1850 gold circulated little in France, but for several years after 1850 gold predominated, and silver became so scarce that the minor pieces were reduced in weight in 1865, as ours were in 1853, to keep them in circulation.

What authorities substantiate this?

Michael Chevalier, Robert Giffen and Clarmont Daniell.

What statistics corroborate them?

From 1815 to 1821 France exported, net, fourteen million dollars of silver ; from 1821 to 1852 she imported \$615,000,000 ; then gold came in, and in the succeeding twelve years she exported \$332,000,000 of silver ; the Latin Union was formed in 1865, and in the following six years the silver net imports amounted to \$111,000,000 ; in 1872 they were \$19,000,000 ; in 1873 they rose to \$35,000,000, and in 1874 to \$69,900,000 ; then the coinage of silver was restricted and the import fell to less than \$23,000,000 in 1878 ; then the free coinage of silver was wholly stopped, and the net import of silver fell two years later to \$7,000,000.

What event corroborates them?

In addition to the alteration of the minor coinage, the establishment of the Latin Union.

Why was the Latin Union formed?

Because by separate action the several nations could not keep gold and silver in concurrent circulation.

But if individual nations could not do this, the monetary union proved the power of several nations acting together to accomplish it?

It proved that they could not do it. Nine years after the Union was formed the price of silver fell a little and France had to restrict the free coinage; in 1878 free coinage in the Latin Union was suspended.

Was not the fall of silver due to the action of Germany in establishing the gold standard?

It makes no difference what the cause was; the Latin Monetary Union was unable to keep silver and gold together. In proposing the restriction of free silver coinage Leon Say attributed the fall of silver to the sales of silver by Germany, the increased production by American mines and the decreased absorption by India. The Latin Union could not prevent any of these things, or maintain the parity of gold and silver in spite of them.

Has any other nation found bimetallism impracticable?

England did not establish the single gold standard till after two centuries of failure to keep gold and silver in concurrent circulation.

Did not English bankers send Ernest Seyd here with money to bribe Congressmen to pass the Act of 1873?

That has not only been said, but in Denver it has been sworn to. The fact is that Mr. Seyd was a distinguished bimetallist, who wrote many books and pamphlets in favor of silver, and wrote a long letter about the Act of 1873 to Mr. Hooper, who had charge of the bill, in which he urged the continued coinage of the silver dollar. This letter was printed in full in the Congressional Record for August 22, 1893.

Did not New York money dealers procure the Act of 1873?

Representatives Potter and Brooks of New York opposed the bill and were accused of doing so in the interest of the New York bullion brokers.

Was not the act procured surreptitiously?

It was printed over and over again; opinions on it were solicited by the Treasury officials from many persons who understood coinage and money matters, and it was debated on several occasions in Congress during two years or more.

But at least the dropping of the silver dollar was concealed from Congress, was it not?

In the debate in the House April 9, 1872, Judge Kelley said: "It has become impossible to retain an American dollar in this country except in collections of curiosities." Mr. Hooper said the silver dollar "has long since ceased to be a coin of circulation," and that the Committee had concluded that "the gold dollar should be declared the money unit;" Mr. Stoughton said that the principal change proposed by the bill was in "more clearly specifying the gold dollar as the unit of value. * * * The time has come in this country when the gold dollar should be distinctly declared to be the coin representative of the money unit."

What evidence is there that gold was the standard in fact much earlier?

In supporting the coinage bill of 1853 Mr. Dunham said, "We have had but a single standard for the last three or four years. That has been and now is gold. We propose to let it remain so, and to adapt silver to it, to regulate it by it." Mr. Skelton of New Jersey said, "Gold is the only standard of value by which all property is now measured; it is virtually the only currency of the country."

Perhaps free coinage would raise the value of silver.

Then it would make things no easier for the debtor, in whose behalf most of the silver agitation has been carried on.

What is the difference between the changes from gold to silver, or silver to gold, that have occurred in this and other countries and the change from gold to silver that would now result from free coinage ?

Just the difference between floating down stream and going over the falls.

Does not every one wish all the money he can get ?

He wishes all the wealth he can get ; he does not wish any more of it in the shape of cash than is necessary. He can not get money without giving something for it ; buying it with merchandise, and he will not buy any more money, to keep as money, than his business requires. A farmer will not keep more mowing machines than he absolutely needs, and he will not keep enough to do all his mowing at once ; he will use the same machine over and over.

Does not John Stuart Mill say that a large volume of money makes prices high, and vice versa ?

He says that is so if all the money is specie, and no element of credit enters into the transaction, and all the money is in use all the time in making purchases, and the rapidity of the circulation is fixed, conditions which never occur in real life. The quantitative theory of money is a "barren ideality."

BANKS AND DEBTS.

Which do banks lend the most of—money or credit ?

Credit. The loans and discounts of the national banks alone in October, 1894, amounted to more than two billion dollars, and all the money in the country outside of the Treasury was only a little more than sixteen hundred millions.

Whose money and credit do they loan ?

Their own capital and the money that other people deposit with them. The capital of the national banks in October, 1894, was less than seven hundred millions, and the deposits were nearly seventeen hundred and fifty millions.

How do the banks "corner" money ?

They don't "corner" money ; they can't corner it. Most of the money they hold belongs to other people who can draw it out whenever it is for their interest to do so.

Are the banks debtors to the amount of their deposits ?

They are, and would be benefited like other debtors if they could repay in cheaper dollars than they received.

Then why do they not favor cheap dollars ?

Because, if their depositors got an idea that if they did not hurry they might be paid in cheap dollars they would hasten to take out their deposits and thus ruin the banks.

But do not the banks make money dear ?

No ; money is dear when there is an exceptional demand for it, or when depositors are scared and withdraw their funds so that the banks have little to lend.

What does "cheap money" mean, anyway ?

In the money market "cheap money" is money loaned at low rates of interest. Sometimes "cheap money" is spoken of as though it meant money of which a little merchandise would buy a great deal ; in other words, high prices. The two things are very different.

Is credit used because there is not enough currency ?

No. It is used to supplement capital because men try to do all the business they can ; all they have cash for and all they have credit for. It is used to supplement currency because it is cheaper.

How cheaper ?

Money is the only form of property which yields no return. If a man had \$100,000 in currency, but his business did not imperatively demand that he have over \$10,000 on hand at all times, he would put \$90,000 into his stock of goods, or his "plant," or ex-

change it for some sort of certificate or security that would bring him interest.

And then if he had to pay out \$20,000 all at once, how would he do it ?

Draw a check on his credit at the bank.

And does the banker keep on hand the money of all the depositors so that he can pay all their checks ?

Oh, no; in that case he would have nothing to loan. If a dozen men make deposits, the banker feels safe in lending the deposits of eight or nine of them, because not more than three or four will want their money at any one time.

Is it for the interest of banks to have times of panic and stringency ?

Such periods are disastrous to banks, for then they can not collect the money they have loaned, and their depositors withdraw their deposits and the securities they hold depreciate.

But what about the malevolent influences of "Wall Street ?"

"Wall Street" sometimes means legitimate banking and sometimes the operations on the Stock Exchange. The two things are wholly different. Bankers do not approve of stock speculations, though the truth is that the Stock Exchange reflects rather than causes the state of business.

Is not gold monometallism in the interest of creditors ?

Confidence and security is peculiarly important to debtors. The rate of interest is declining while the price of labor is going up. In other words, Man is worth more and Money is worth less. Interest is particularly low in England and it has not been unfavorably affected by the prevalence of the gold standard. Before 1874, the discount rate of the Bank of England several times rose to eight and even ten per cent. Since 1874 it has only twice risen to six per cent. Free coinage of silver was stopped in India, and the United States repealed the Sherman law, in 1893; in the year from February 22, 1894, to February 22, 1895, the bank rate never varied from two per cent.; not only was the rate very low, but it was the first time for eighteen years that the bank rate had remained unchanged for twelve months.

Is not the gold standard raising the rate of interest here ?

No. The census tables show that of all the real estate mortgages in 1880, 46.6 per cent. were at 5, 6 and 7 per cent. interest, 24.6 per cent. at 8 per cent., and 27.2 per cent. were at 9, 10 and 12 per cent. interest. In 1889 the proportion at 8 per cent. had not changed; the proportion at 5, 6 and 7 per cent. had increased to 54.6 per cent., and the proportion at 9, 10 and 12 per cent. had decreased to 17.6 per cent. of the total.

Where is the rate of interest the lowest ?

Where the accumulations of capital are largest, and where the security of the investments is the most perfect.

Would it be good policy for the debtors to shave their obligations 50 per cent. if they got the chance ?

If they got the chance it would be human nature to do it, but if they were continuously borrowing, it is not certain that it would pay them to do it.

Who can borrow on the best terms ?

Individuals and communities who are the most certain to pay in full and on time.

Is the debtor generally a poor man ?

A man can not borrow money unless he can give security, or has a place in business that commands confidence.

Who are the creditors ?

More than eight million people in this country are the creditors of commercial and savings banks for more than four and a half billion dollars that they have on deposit. More than a million and a half persons are creditors of thirty life insurance companies, to the amount of more than four and a half billion dollars represented by their policies; in 1893 these companies disbursed among their policy holders more than \$110,000,000. The building associations in this country in 1893 had about a million and three-

quarters of shareholders and only one-fourth of the whole number were borrowers ; the amount of the loans due by one-fourth to the whole four-fourths was \$443,000,000.

Would all these creditors be injured by reducing the value of the dollar ?

Just as much as any creditors would.

But are not the farmers in debt ?

Many of them are in debt on their current accounts, as to which a change in the currency system would have very little influence. According to the census less than one in five owes money on a mortgage, and his property is worth three times the obligation.

Is money used mostly for paying bonds and mortgages, or for buying things of the merchant ?

Less than 3 per cent. is used for the former and more than 97 per cent. for the latter.

How do you make that out ?

In the Census year there were less than two billions of national, State, county, municipal and school bonds, about six billions of real estate mortgages, and five and a half billions of railroad bonds. This makes in all thirteen and a half billions. One of the popular books in the interest of silver coinage says it is "estimated" at forty billions. Of the mortgages, about a billion and a quarter may be paid off annually, because the average life of a mortgage is nearly five years. The public and railroad bonds run for very long periods, many of them for fifty or a hundred years. Not more than a quarter of a billion of them are paid off annually. That makes a billion and a half of bond and mortgage payments in a year. In the same year the bank clearings of the United States, after deducting the transactions on the New York Stock Exchange, amounted to fifty billions, of which a billion and a half is 3 per cent. But a large amount of trading done in cash and in sections where there are no banks, does not appear in the bank clearings, and should be added to the fifty millions. The bond and mortgage payments, then, would be considerably less than 3 per cent., probably not over 2 per cent. of the whole use of money.

DECLINE OF PRICES.

Has there not been a great decline of prices since 1873 ?

Yes.

And it has of course worked a hardship to farmers who had mortgaged their farms ?

That is true in a general way, but only one-fourth of the decline fell on any one mortgage, the average life of which is less than five years, and there has been a considerable offset in the reduction of the prices of things farmers have to buy ?

Has the fall in prices been approximately uniform ?

It has not.

What does that indicate ?

That the fall can not be due to a change in the purchasing power of money, for then all prices would be affected similarly.

Where do you get your information ?

From the voluminous compilation of wholesale prices and rates of wages published in 1893 by the Senate Finance Committee.

How much fall does that show in cloths and clothing ?

On the basis of 100 in 1860 the prices of cloths and clothing rose to 121.5 (gold) in 1873, and fell to 81.1 in 1891.

What was the change in the prices of metals and implements ?

On the basis of 100 in 1860 they rose to 115.2 (gold) in 1873, and fell to 74.9 in 1891.

And the products of agriculture ?

Barley, corn, cotton, hemp, oats, meats, rye, tobacco and wheat, averaged according to their relative importance, and on the basis of 100 in 1860, rose to 106 (gold) in 1873 and fell to 98.4 in 1891.

Did they begin to fall in 1873, because the silver dollar was then abolished?

No, because they began to fall some time before that. From 100 in 1860 they rose to 243.7 in 1864, fell to 97.3 the next year, just after the war, rose to 135.1 in 1867, and then pretty steadily declined, rising to 123.4 in 1874, and 120 in 1882.

How much did wages fall?

They didn't fall; they rose from 100 in 1860 to 147.4 (gold) in 1873, and 168.6 in 1891, averaging the various occupations, according to the number of persons in them.

How do you account for these fluctuations?

The reductions were generally proportioned to the extent to which machinery and improved processes have reduced the cost of production. These would not affect labor, and wages rose; and they would affect the production of metals and textiles more than agricultural products, and the former fell more than the latter.

Has there been any other great cause of lower prices?

Yes; the freight tariffs on more than a dozen leading railroads have fallen 62 per cent. in twenty years according to the Statistical Abstract of the United States.

How has this affected wheat?

About 1869, when the lakes were closed the railroads got over 60 cents a bushel for hauling wheat from Chicago to New York they have since done it for six cents. In 1874 the rate by lake and canal was 24.47 cents per bushel, and in 1894 it was 4.44 cents.

Has there been an increase of wheat production in the world?

Figures lately published in Beerbohm's List show that the average of the world's wheat crops for the four years, 1891-4, was 204,000,000 bushels greater than the average for the four years 1887-90. The Department of Agriculture estimates that the world's crop of 1894 was 220,375,000 bushels greater than that of 1891. "Bradstreet's" makes the increase from 1889 to 1894 429,000,000 bushels. The world's consumption is estimated to increase only twelve to sixteen million bushels annually.

And wool?

Mr. S. N. D. North says the increase in the four chief producing countries has been 155 per cent. since 1870.

And cotton?

The average of the last three crops was 7,734,000 bales, and of three crops twenty years ago 3,659,000 bales.

And sugar?

In twenty years the world's sugar crop has increased from less than three million to more than eight million tons.

Do not farmers suffer from the competition of silver-using countries?

They suffer somewhat from the competition of India in wheat and cotton, and of the Argentine Republic in wheat, and from the competition of gold-using Australia in wool. But the export of wheat and cotton from India is scarcely increasing; comparing terms of years it is decreasing. In no one of these cases could any currency legislation limited to the United States affect the European price of cotton, or wheat or wool. The prices we fix, if we fix any, have no influence upon the prices at which the Russian farmers are willing to sell wheat for export to England, unless, indeed, we forbid them.

Why has silver declined?

Mainly because its production has increased very rapidly; in the five years 1871-5, the production was 316,585,069 fine ounces; in the five years 1889-93 it was 698,196,000 fine ounces, an increase of about 120 per cent., and the increase during the latter five years was 33 per cent. In the corresponding periods the production of gold increased from 27,955,063 fine ounces to 32,726,364 fine ounces, an increase of 17 per cent., and the increase during the latter period was 27 per cent. At the same time the improved condition of the working classes and the vast expansion of commerce has made silver less suitable for monetary use. Besides, the cost of producing silver has declined.

What evidence is there of that?

Until last year the production went on increasing in spite of the falling price.

Has there been a great increase in manufacturing and of competition among manufacturers?

The last census shows an increase of 120 per cent. in the capital engaged in manufacturing between 1880 and 1890.

But that was while prices were going down?

Prices were going down, but manufacturing wasn't. The population increased 25 per cent., the employes of manufacturing establishments increased 65 per cent., and the wages they received increased 131 per cent. The true value of real and personal property in the United States increased about 50 per cent. in the ten years.

But these figures indicate prosperity.

There were financial disturbances in 1884 and 1890, and farmers, heavily in debt, lost more by the decline of prices than they made, but on the whole the country was very prosperous from 1879 to 1893.

Give some particulars of the growth of the country since about 1873.

Between 1870 and 1890 the population of New England and New York increased 31 per cent., but between 1873 and 1894 the number of depositors in savings banks increased 86 per cent., and the amount of their deposits increased 112 per cent. Between 1870 and 1890 the population of the United States increased 62 per cent., but the number of persons insured in life companies that report to the New York Insurance Department increased 104 per cent., and the amount of their policies increased 113 per cent. According to the census reports the true valuation of all real and personal property in the United States, per capita, was \$780 in 1870, \$870 in 1880, and \$1,039 in 1890. The value of the farms in the six States, Illinois, Iowa, Minnesota, Wisconsin, Michigan and Missouri increased 64.6 per cent. between 1870 and 1890, and deducting the population of towns of 5,000 inhabitants and over, the rest of the population in those States increased 41.3 per cent. The farm values in the six States, North and South Carolina, Georgia, Alabama, Mississippi and Louisiana, increased 74 per cent. between 1870 and 1890, and the population, including cities, increased 54 per cent. Valuations in 1870 were in depreciated currency. From 1873 to 1893 the increase in railroads constructed, and in operation in the United States was 107,488 miles, or about 150 per cent.

What checked the course of prosperity in 1893?

The silver agitation. Under the Sherman law in three years about \$176,000,000 of paper was issued against purchases of silver. The country did not need such an addition to the circulation, and gold went rapidly to Europe. The Government's stock of gold was reduced lower than ever before, and it was very doubtful whether the Treasury could go on redeeming its paper in gold. So people made a rush for what gold there was and locked it up. Bank depositors got scared and drew out their deposits. Banks then had to refuse loans for lack of money, and merchants who needed accommodation failed. Manufacturers who needed advances had to shut down. Everybody was afraid that cheap dollars would be issued. The advocates of silver kept insisting that they would force the issue of cheap dollars, so Europeans who held American securities sent them back to this country to be sold for gold before the silver era was established. They had been doing this from the time the Sherman law was passed, and this was one reason why gold had been going out of the country. "As a madman who casteth firebrands, arrows and death," so the authors of this devastation point gleefully to the ruin they have wrought as the reason why they should be entrusted with the means of completing it.

To what extent has silver legislation affected the settlement of our foreign trade?

In the first three years after the passage of the Bland-Allison act, there was a balance due us on merchandise from the rest of the world of \$692,000,000, but we got only \$162,000,000 in specie, showing that, to a great extent, we were paid in our own

notes, or more accurately, in our own securities. There was a gradual recovery of confidence by foreign investors in us, and in three years, 1888-90, the specie we sent abroad and the specie due us on merchandise balances which we did not get amounted to only \$95,000,000. But in the three years of the Sherman law there was drawn out from this country \$155,000,000 of gold and \$9,000,000 of silver in spite of the fact that the balances due us on merchandise amounted to \$223,000,000. Here was \$388,000,000 of specie, practically all gold, which the country lost, most of it because it was trying to "bull" the price of silver. In those three years we added to the currency \$176,607,980 of silver certificates and "Sherman" notes, and lost from it \$154,986,697 of gold. In fifteen years of silver legislation there accrued to us balances on exports of merchandise amounting to \$1,385,000,000, in addition to which we exported \$119,000,000 of silver, and yet our net receipts of gold from the rest of the world were \$11,000,000.

What is it that is masquerading under the guise of "bimetallism"?

Silver monometallism.

NATIONAL POLICY.

As ours is a debtor country, is it not for our interest to reduce the money unit?

No, for we intend to go on using foreign capital for the development of our great natural resources, and it is not for our interest to impair our credit.

Is it not for the advantage of the debtor to have the option of paying in gold or silver?

A man has to pay for an option, and a "straddle" costs more than a "put" or a "call."

What are our trade balances with gold and silver countries?

In the last fiscal year there was due us on exports and imports of merchandise a balance of about \$400,000,000 from the gold-using countries of Europe, and there was due from us to silver-using countries in South America and Asia \$128,000,000. There was due us a balance of more than \$300,000,000 from England. The amount due from us to England for interest and re-payments of principal in any normal year was certainly very much less than that.

What has been the effect on Europe of the silver policy of the United States?

We have tried at enormous cost to keep up the price of rupees and taels for the benefit chiefly of Englishmen and Germans who export manufactured goods to Asia. We have driven gold out of the country, to the great advantage of European nations which wished to establish or to fortify the gold standard.

Did any people who were receiving gold or its equivalent for their labor and their grain and cotton ever clamor for the debasement of the money standard?

Never in the world till a part of the American people did this in the latter part of the Nineteenth Century.

Are there no bimetallists in England and Germany?

In both countries there are men who desire to bring about international bimetallism in the hope of raising the value of silver. Nowhere outside the United States do men propose that their own country shall go in for free silver coinage alone.

Where are workingmen demanding that the standard by which their wages are paid be reduced from gold to silver?

Only in the United States of America.

But are not the silver men holding out magnificent prospects of the prosperity that would come to the country if their policy prevailed?

Yes, and so did Jack Cade, when he announced, "There shall be in England seven halfpenny loaves sold for a penny; the three-hooped pot shall have ten hoops; and I will make it felony to drink small beer. * * There shall be no money; all shall eat and drink on my score; and I will apparel them all in one livery, that they may agree like brothers and worship me, their lord."

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Each number contains a **special discussion** of some Sound Currency question.

"I beg to say that I never attended any such lecture, that I never asked any such questions, or made any such answers, as are there set forth (in 'Coin's Financial School'). It is a fabrication from beginning to end. I have had many letters from all parts of the country inquiring whether or not I was correctly reported in the alleged discussion, all of which I have answered in the negative. It is time the truth was put on foot to overtake the lie.

Yours truly,

"New York, April 9, 1895.

L. J. GAGE."

"I never attended any of the lectures referred to in that book ('Coin's Financial School') and therefore could not have used the language with which I am credited.

"Chicago, April 11.

JOHN R. WALSH."

"The book ('Coin's Financial School') is filled with so many false and misleading statements that I have deemed it unworthy of notice. But I am glad to give publicity to the denial that any such lectures as are detailed in the book ever took place in Chicago, or anywhere else; and here say that I was never present at any such meetings, and that I never made any of the remarks attributed to me on page 68, or on any other page. The whole book is a clever fabrication of falsehoods. Very truly yours,

"Chicago, April 13, 1895.

J. LAWRENCE LAUGHLIN."

COIN'S FINANCIAL FOOL.

BY HORACE WHITE.

	PAGE.
INTRODUCTION.....	406
CHAPTER I.—COIN'S FIRST FALSEHOOD.....	406
CHAPTER II.—OUR FIRST SILVER DOLLAR.....	408
CHAPTER III.—ANOTHER FORGERY	409
CHAPTER IV.—A FEW NUGGETS.....	411
CHAPTER V.—THE "CRIME OF 1873".....	412
CHAPTER VI.—THE DEBATE WITH LYMAN J. GAGE.....	414
CHAPTER VII.—"COIN" ENLISTS IN THE CAVALRY.....	416
CHAPTER VIII.—EXPLOSIONS, AND THE LAUGHLIN MYTH.....	418
CHAPTER IX.—"COIN" ON THE GREENBACKS.....	420
CHAPTER X.—JUGGLING WITH PRICES.....	421
CHAPTER XI.—THE ENGLISH OCTOPUS—REVOLUTION—REPUDIATION.....	422
CONCLUSION.—THE COLUMBUS FORGERY... ..	424

COIN'S FINANCIAL FOOL.

BY HORACE WHITE.

I propose to examine with some thoroughness a book of 155 pages, entitled "Coin's Financial School."

INTRODUCTION.

"Coin," it should be premised, is a youth about twelve years of age who opens a school to teach grown men the science of finance. This is a piece of clap-trap. The science of finance does not come by nature, as reading and writing came to Dogberry, and it is not particularly "catching." It requires a considerable amount of study. The suggestion here thrown out that a boy can drop his marbles and spinning tops and deliver valuable lectures on this science is likely to prove captivating, however, to persons who would be glad to acquire it without any antecedent effort, although they would not attempt to play on the bones at a minstrel show without previous practice. They may not perceive the inherent absurdity of taking lectures on this abstruse subject from a boy of twelve, although they would not take his advice on the subject of shoeing a horse.

THE ONE-LEGGED MAN.

The book is largely made up of pictorial illustrations which, of course, cannot be answered. If anybody is deluded in a financial discussion by a picture of a man with only one leg, his delusion may, perhaps, be cured by telling him that the single standard of silver is just as one-legged as the single standard of gold. The object of "Coin's Financial School" is to bring about the free coinage of silver at a legal ratio of 16 to 1 by the action of this country alone. As the market ratio of the two metals is 32 to 1, it is evident that this country cannot make sixteen ounces of silver equal in value to one ounce of gold when the whole world is offering thirty-two ounces of silver for one ounce of gold. Therefore the proposal for free coinage by this country single-handed is a proposal to establish the single standard of silver, which is as well represented by a man with one leg as is the single standard of gold.

CHAPTER I.

COIN'S FIRST FALSEHOOD.

Coin's first picture is that of "Columbus Discovering America, 1492." Immediately beneath it is a pretended quotation from a public document, which begins in this way :

"At the Christian era the metallic money of the Roman empire amounted to \$1,800,000,000. By the end of the fifteenth century it had shrunk to \$200,000,000. (Dr. Adam Smith informs us that in 1455 the price of wheat in England was two pence per bushel.)"

The statement in parenthesis, which is introduced by "Coin," is false in four different ways, viz. : (1) It is false by conveying to the reader's mind the idea that a penny in 1455 was the same thing as a penny now ; (2) it is false by conveying the idea that the price quoted was the average price at that period in the world's history ; (3) it is false in giving Adam Smith as authority for the statement ; (4) it is false in conveying the idea that the quantity of money in the world was the cause of the low price of wheat in 1455.

The first thing in the quoted paragraph is a statement that at the Christian era there was a plentiful supply of money as compared with the later period. Now, we can show, on the best possible authority, that the rate of wages for laboring men at this happy period was one penny per day. See Matthew 20 : 1-16, which tells us that a certain householder went out early in the morning to hire laborers for his vineyard, and that when he had agreed with them *for a penny a day* he sent them into his vineyard. They were all satisfied and nothing happened to disturb their serenity until they found that some others, who had been hired later in the day, were also receiving a penny.

We need not concern ourselves with the sequel, since the only point important to our purpose is that the rate of wages at this affluent period was one penny per day.

A penny in 1455 was not the same thing as a penny now. The penny was originally the 240th part of a pound weight of silver, but monarchs had the habit of cutting pieces off the pound of silver and coining the remainder into 240 pennies, putting the difference into their own pockets. In this way the value of the penny was constantly declining till the reign of Elizabeth. In 1455 the weight of the silver penny was twice as great as it was in the time of Adam Smith, a fact carefully suppressed by "Coin."

The other three falsities may be disposed of in short order. The prices of wheat quoted at the end of Book I of Smith's "Wealth of Nations" are not given on his own authority. They are quoted as those of Fleetwood, and we are cautioned by Adam Smith, for various reasons, not to attach too much importance to them. Thus, referring to previous writers who had taken Fleetwood's tables as a basis, he says:

"Thirdly, they seem to have been misled too by the very low price at which wheat was sometimes sold in very ancient times, and to have imagined, that as its lowest price was then much lower than in later times, its ordinary price must likewise have been much lower. They might have found, however, that in those ancient times, its highest price was fully as much above, as its lowest price was below anything that had ever been known in later times. Thus in 1270, Fleetwood gives us two prices of the quarter of wheat. The one is four pounds sixteen shillings of the money of those times, equal to fourteen pounds eight shillings of that of the present; the other is six pounds eight shillings, equal to nineteen pounds four shillings of our present money. No price can be found in the end of the fifteenth, or beginning of the sixteenth century, which approaches to the extravagance of these.

"The price of corn, though at all times liable to variation, varies most in those turbulent and disorderly societies, in which the interruption of all commerce and communication hinders the plenty of one part of the country from relieving the scarcity of another. In the disorderly state of England under the Plantagenets, who governed it from about the middle of the twelfth, till towards the end of the fifteenth century, one district might be in plenty, while another at no great distance, by having its crop destroyed either by some accident of the seasons, or by the incursion of some neighboring baron, might be suffering all the horrors of a famine: and yet if the lands of some hostile lord were interposed between them, the one might not be able to give the least assistance to the other. Under the vigorous administration of the Tudors, who governed England during the latter part of the fifteenth, and through the whole of the sixteenth century, no baron was powerful enough to dare to disturb the public security."

Finally, Fleetwood's tables give the prices of wheat in 1453 at 5s. 4d. and in 1457 at 7s. 8d. per quarter, the intermediate year 1455 being 1s. 2d. per quarter, all being the money of that period, not of Adam Smith's period.

"Coin" wants to make it appear that the price of wheat in one particular year, 1455, was due to the shortage of money at that time. Let us apply that method of reasoning to another case. It is within the recollection of many persons now living in Illinois and Iowa that the corn crop of some years before 1860 would not pay the cost of hauling it to the market, and consequently that it was consumed for fuel on the farms or sold for fuel in the adjoining towns. I have been warmed by such fires myself. And this occurred at a time which Coin's Financial Fool would call "bimetallic;" that is, prior to 1873. Now the price of coal in those particular years, when corn was burned for fuel, did not exceed in the country towns \$2.00 to \$2.50 per ton. It was a common estimate in those times that there was as much fuel in a ton of corn as in a ton of coal. If this was true, the value of corn must have been between six and eight cents per bushel, being less than the price of wheat in 1455 as quoted by Fleetwood. What could be said of any future historian who should take that for the true price of corn in Illinois in the middle of the 19th century?

We have not got through with this pretended quotation yet. Beginning where we left off above, it continues thus:

"Population dwindled, and commerce, arts, wealth and freedom all disappeared. The people were reduced by poverty and misery to the most degraded conditions of serfdom and slavery. The disintegration of society was almost complete. History records no such disastrous transition as that from the Roman Empire to the Dark Ages. The discovery of the new world by Columbus restored the volume of precious metals

brought with it rising prices, enabled society to reunite its shattered links, shake off the shackles of feudalism, and to relight and uplift the almost extinguished torch of civilization."—[Report United States Monetary Commission of 1878.]

There was a monetary commission in 1878 composed of Reuben E. Fenton, W. S. Groesbeck, Francis A. Walker, and S. Dana Horton. The editor of the *Indianapolis Journal* looked through the report of that year, and finding nothing of the kind here quoted, pronounced it a forgery. Then a reply was made by "Coin," or somebody for him, that 1878 was a typographical error; that it should have been 1876. That meant the report of Senator Jones, of Nevada, and his commission. So the *Journal* took up that report, and discovered that the last sentence in the paragraph, the one referring to Columbus and the discovery of America, the only thing which gives any point to the pretended quotation, is itself a misquotation. We present below the sentence as it stands on page 50 of the report, and as it stands in "Coin's Financial School":

REPORT, PAGE 50.

"Various explanations have been given of this entire breaking down of the framework of society, but it was certainly coincident with a shrinkage in the volume of money, which was also without historical parallel."

COIN'S FINANCIAL SCHOOL.

"The discovery of the New World by Columbus restored the volume of precious metals, brought with it rising prices, enabled society to reunite its shattered links, shake off the shackles of feudalism, and to relight and uplift the almost extinguished torch of civilization."

CHAPTER II.

OUR FIRST SILVER DOLLAR.

The next untruth taught in "Coin's Financial School" is that the silver dollar was the monetary unit in this country from 1792 to 1873. In order to make this more emphatic he gives us a blackboard with the figure 1 on it, this being calculated to carry conviction to the school. The fact is, that the silver dollar was the monetary unit in this country *before* 1792, but *never afterwards*. It was made such by the Congress of the Confederation in 1785. This was the silver *peso* or *pesata* of Spain, which had been in circulation in the colonies more than a hundred years, and was called here a dollar.

Now, in order to keep one's head clear it must be borne in mind that the word unit means one thing, not two, or more things; also that there are several different kinds of units, as a unit of number, a unit of length, a unit of weight, a unit of value. We will now quote the law of 1792 verbatim:

"That there shall be, from time to time, struck and coined at the said mint, coins of gold, silver and copper of the following denominations, values and descriptions, viz.: Eagles—each to be of the value of ten dollars or units, and to contain 247 grains and four-eighths of a grain of pure, or 270 grains of standard, gold [Half eagles and quarter eagles of corresponding weights and fineness.] Dollars or units—each to be of the value of the Spanish milled dollar as the same is now current, and to contain 371 grains and four-sixteenths of a grain of pure, or 416 grains of standard, silver."

"Coin" having presented the unit to his school as a unit of *number*, immediately changes it into a unit of *value*, saying: "Congress adopted silver and gold as money. It then proceeded to fix the unit. That is, it then fixed what should constitute one dollar, the same thing that the mathematician did when he fixed one figure from which all others should be counted. Congress fixed the monetary unit to consist of $371\frac{1}{4}$ grains of pure silver and provided for a certain amount of alloy (baser metal) to be mixed with it to give it greater hardness and durability."

Now gold and silver are not one thing, but *two things*. If "Coin" had said: "Congress adopted *two things* as money; it then proceeded to fix the *one thing*," everybody could have seen that that would be a contradiction of terms. Suppose the law had then provided for the coinage of a gold dollar. Could anybody say, in that case, that the monetary unit was the silver dollar any more than the gold dollar? In 1849 Congress did provide for coining a gold dollar, and more gold dollars were actually coined after that

date than all the silver dollars that were coined from the beginning of the government till 1873. Yet "Coin" tells us that "the silver dollar still remained the unit and *continued so until 1873.*" If the silver dollar was the unit what, in heaven's name, was the gold dollar?

The word "unit" as used in the law meant a unit of number. If it had meant a unit of value bimetallism could not have been established. Suppose the law had said, "apples and oranges shall be legal tender, but only the apple shall be the unit of value." That would have been a contradiction of terms. All the confusion which "Coin" has produced arises from the use of the word "unit" in two different ways, first as a unit of number and second as a unit of value. "Coin" exhibits it on a blackboard as a unit of number, and then cunningly asks us to take it as a unit of value. This is thimble-rigging—"now you see it and now you don't see it." It is like saying on one page of the book "twice-one is one," and on the next page "twice-one is two."

Let us apply one more test to this quibble. The law speaks of dollars *or* units. This means that dollars and units are the same; consequently we may reject either of them without changing the sense. Let us throw out the word "units" and see how the law would read: "Eagles, each to be of the value of ten dollars and to contain $247\frac{1}{2}$ grains of pure gold; dollars, each to be of the value of the Spanish milled dollar as the same is now current and to contain $371\frac{1}{4}$ grains of pure silver." This makes it plain that Congress used the term unit as the "unit" of number, as "Coin" presented it on his blackboard, and not as a unit of weight, or of length, or of capacity, or of value. If we wanted a unit of numskulls we should not have to look far to find him.

But this American silver dollar never got into circulation at home. The Spanish dollar, which was in actual circulation here, was abraded by use about $2\frac{1}{2}$ grains. New Spanish dollars were worth that much more. It was soon discovered that our new dollars would pass in the West Indies as the equivalent of new Spanish dollars. Consequently they ran out of the country as fast as they were coined, went to the West Indies, where brokers collected new Spanish dollars in exchange for them and sent the latter back to our mint to be recoined. Every 100 new Spanish dollars produced 101 American dollars, and none of the latter remained at home because abraded Spanish dollars passed equally well in domestic trade.

That was the reason why President Jefferson in 1805 gave an order to the mint to stop coining silver dollars—an order which remained in force till 1836.

CHAPTER III.

ANOTHER FORGERY.

At this point in the exercises we read that "Young Medill" starts up (there is no such person as young Medill), and wants to know why it was that a great many foreign silver coins circulated in this country at their value as bullion before the year 1860. "Coin" has an answer ready for him. "It had all been made legal tender," he says, "by act of Congress. We needed more silver than we had, and Congress passed laws *making all foreign silver coins legal tender in this country.*" It is one of the axioms of the silverites that coins circulate by reason of their legal tender faculty and not of their metallic value. This is a fundamental proposition in "Coin's Financial School." Hence, when confronted by the fact that upwards of two hundred different foreign silver coins circulated in this country prior to 1860, he must needs tell a lie to account for something which really knocks the bottom out of his whole system.

"Coin" quotes the law, which he says sustains his statement, thus:

"And be it further enacted, that from and after the passage of this act the following foreign silver coins shall pass current as money within the United States and be receivable by tale for the payment of all debts and demands at the rates following, that is to say: the Spanish pillar dollars and the dollars of Mexico, Peru and Bolivia, etc."

The act referred to is that of March 3, 1843. The lie here consists in the insignificant "etc.," which is intended to include all other foreign silver coins circulating in the United States prior to 1860. In order to show the falsity of this we quote the re-

remainder of the section of this law, which is left to the reader's imagination in the innocent "etc.":

"Of not less than 897-1,000 in fineness and 415 grains in weight, at 100 cents each, and the five-franc pieces of France of not less than 900-1,000 in fineness and 384 grains in weight, at 93 cents each."

By putting these two pieces together the reader will see that the only foreign silver coins made legal tender by this act were the *dollars* of Spain, Mexico, Peru and Bolivia, and the five-franc pieces (not the smaller coins) of France. Yet the writer says that "it" (meaning the foreign silver circulating here at that time), "had all been made legal tender in the United States by act of Congress."

The truth is that Congress made only two foreign silver coins legal tender, the dollar of Spain and the five-franc piece of France. The Spanish dollars which found their way hither being mostly coined in the Spanish-American mints, it became necessary, when those colonies achieved their independence, to include their names in the list in order to avoid ambiguity. So it came about that the dollars of Mexico, Central America, Chili, Peru and Bolivia were added to our legal-tender list at different times. The reason why the dollars of Spain and the five-franc pieces of France were made legal tender was that they were here, and in general use before the Constitution was adopted, the former having been the money of the colonies and the latter having been introduced in large quantities by the French armies during the Revolutionary war. The French coins of that period were called crowns.

It should be noticed that the Spanish and Spanish-American coins smaller than one dollar were not then legal tender in this country. People whose memory goes back of 1860, will recall the fact that the bulk of the Spanish and Mexican coins, circulating here, were the halves, quarters and eighths, the latter being known in different parts of the country as the York shilling, the ninepence, the levy and the bit, in addition to which there were English shillings, German thalers in large quantity and variety, besides rix dollars, specie dollars, Danish and Dutch coins. Even the rupees of India were quoted on the coin chart manuals published in New York at that time. It should be mentioned also that new Spanish dollars, fresh from the mint, circulated at one hundred and one cents each, and are so quoted on coin-chart manuals of that period. In other words, they passed for one cent more than their legal-tender value. Why was this? Because their bullion value was more than a dollar. But the coins of France and Spain did not circulate here more readily than those of Germany, Austria, Holland, Belgium and Denmark, which were not legal tender.

The point is that this writer, pretending to give people facts which few persons are familiar with, says that the precious metals circulate not by reason of their value as bullion, but because of their legal-tender quality, and when asked how it happened that a great variety of foreign coins circulated here before 1860 at their bullion value, he says that they were all legal tender, and to support this proposition he misquotes a law of Congress. In order to give due solemnity to this and other falsehoods with which the book abounds, he prints next after his title-page this text of Scripture:

"I thank thee, O Lord of Heaven and Earth, because thou hast hid these things from the wise and prudent and hast revealed them unto babes. Matthew, chapter xi., verse 25."

Nobody who had not reached mature years could have concocted a forgery of this recondite and misleading character.

MORE OF THE SAME KIND.

Directly after the pretended quotation from the law making all foreign silver coins legal-tender, on page 10, "Coin" speaks of a scarcity of silver. "On account of the scarcity of silver," he says, "both Jefferson and Jackson recommended that dimes, quarters and halves would serve the people better than dollars, until more silver bullion could be obtained. This was the reason why only about eight million of the one hundred and five million of silver were coined into dollars."

This is pure fiction. Neither Jefferson nor Jackson ever made any such recommendation. Nor was there any "scarcity of silver" at that time. The reason why

silver dollars were not coined by our mint between 1805 and 1836 has already been stated.

Next after this false statement about Jefferson and Jackson comes the following :

"During this struggle to get more silver," continued "Coin," "France made a bid for it by establishing a ratio of $15\frac{1}{2}$ to 1, and as our ratio was 16 to 1, this made silver in France worth \$1.03 $\frac{1}{2}$ when exchanged for gold, and as gold would answer the same purpose as silver for money, it was found that our silver was leaving us."

The French ratio of $15\frac{1}{2}$ to 1 was established in 1785, and was merely reenacted in 1803. Our ratio of 15 to 1 was established in 1792, and that of 16 to 1 in 1834. So France "made a bid" for our silver seven years before we had any ratio or any coinage at all, and forty-nine years before we had the ratio that "Coin" says enabled her to get it away from us. Of course, she did this in the spirit of prophecy, or with the eye of faith. For this reason, says "Coin," "it was found that our silver was leaving us." The debates in our Congress on the act of 1834 furnish a better reason. Our fathers wanted to get rid of their heavy and bulky silver money and to bring gold in its place, and they purposely adopted a ratio which would have that effect.

CHAPTER IV.

A FEW NUGGETS.

It is a common remark among those who have been taken in by 'Coin's Financial School' that the writer of it "makes everthing so plain." The Rev. John Jasper had the same advantage over the followers of Galileo, when he said "the sun do move." When the Rev. J. J. pointed to the orb of day in the heavens, everybody could see that it passed slowly from east to west. What more do you want? What better evidence could you have than that of your eyes?

THE POOR MAN'S MONEY

See how plain the young man makes the whole subject of money in a single sentence on page 8, viz.: "Gold was considered the money of the rich. It was owned principally by that class of people, and the poor people seldom handled it, and the very poor people seldom ever saw any of it."

This is introduced as a reason why (as he says) Congress in 1792 made the silver dollar the monetary unit. We have already shown that Congress did nothing of the kind. It follows that Congress never advanced any such reason, but "Coin," having introduced it in this deft way, recurs to it at frequent intervals as a settled fact that gold is the rich man's money and silver the poor man's money, *Argal*, all poor men ought to be in favor of silver.

This is very plain as long as you do not consider what the poor man wants money for. If he wants it as pay for his services, as an accumulation for sickness and a reliance in old age, he wants the best money going, not the worst. If poor money is the right thing for the poor man, there are several kinds poorer than silver, copper for example. This was once legal tender and it had a legal ratio with silver. In the Roman republic the ratio was 240 to 1, and the contemporary Greek ratio was 250 to 1. Is there any more reason for poor men having poor money than for having ragged clothes, bad flour and rancid butter? Is there any reason why the poor should not have the same *standard of value* as the rich, just as they have the same Bible, the same sunlight, and the same atmosphere? For it is not the mere handling of gold that is of importance here, but the value of the thing handled. This may be copper, nickel, silver, or paper, and most commonly will be those things, since our people do not like to carry gold. It wears out their pockets and their pockets wear out the gold. So long as the various things they carry will bring gold on demand, and so long as a stability of value is secured to them equal to that of gold (be the same more or less), all requirements are satisfied. It will be easy now to erase every suggestion in 'Coin's Financial School' that the poor man needs a different kind of money from the rich man, and when these are all erased a large part of the book will be wiped out.

SILVER AS A HUMAN BEING.

The next piece of lucidity we find is akin to the last. It is on page 16 :

"It [Congress] then deprived silver of *its right* to unrestricted free coinage and destroyed it as legal tender money in the payment of debts, except to the amount of five dollars."

This is accompanied with a picture of Senator Sherman cutting off the head of a woman called silver, whose blood spouts in every direction—a valuable aid to a people earnestly seeking to know the truth about a momentous public question. To all such let it be said that silver is not a woman, that it is not a human being, that it is not even an animal, and hence that it has no more "rights" than a head of cabbage and that nobody but a cabbage head would be deceived by such nonsense. Yet a considerable part of "Coin's" collection of funny pictures and comic literature is made up of hints, suggestions and assertions that silver has been treated with cruelty and opprobrium, while gold has been petted and pampered. If we should say that corn has been mostly banished to the cattle-yard and pig-pen, while wheat has been elevated to the kitchen and dining-room, and should make this the foundation of a demand for equal rights for cereals, the logic would be the same. What sort of conception can anybody have of the intelligence of the American people who thinks that their blood can be stirred by a picture of silver as Cock Robin in the throes of death from an arrow shot by gold? This is called making the science of finance clear to the common people, just as the Rev. John Jasper did with the science of astronomy.

"BIMETALLISM, 1872."

The next contribution to clearness is a picture representing "Bimetallism 1872" and "Monometallism 1894," the former showing the workingman and his little child in a high state of prosperity and contentment, and the latter showing him in the last extreme of famine and wretchedness. This does not require much notice. The printer's devil might have changed the labels, in which case the pictures would have served equally well so far as any intellectual purpose goes. But one fact ought to be borne in mind. In 1872 we had neither silver nor gold. There was no "metallism" in it. Specie payments were not restored till seven years later. Therefore the label "Bimetallism 1872" is itself a lie, without regard to the condition of trade and industry at that time. This was, in fact, quite as bad as it was in 1894, being on the eve of one of the most disastrous panics in our history,

CHAPTER V.

THE "CRIME OF 1873."

The next statement of importance is on page 20, where it is said that "silver was demonetized secretly."

It is not generally easy to prove a negative, but it can be done in this case, because there is no way to pass a law secretly in the Congress of the United States. Every bill must be printed and must be read publicly in each branch. These proceedings are incompatible with secrecy. This bill was printed thirteen times in the course of its passage through Congress, and the proceedings on it occupy 144 columns of the *Congressional Globe*, which was published daily during the session. That does not look much like secrecy.

When this charge is disproved, it is varied slightly by saying that the demonetization of silver was accomplished silently, by the mere omission of the dollar from the list of authorized coins, and that this omission was not noticed. By whom was it not noticed? This law was passed twenty-two years ago. Men are now voters who were not born at that time. Of course it was not noticed by them. Neither law nor custom requires that the particular clauses of bills in Congress should be noticed by people who are not members of Congress. The clause in question was not a mere omission of one coin from a list of coins. As the bill passed the House and went to the Senate it was in these words:

"That the silver coins of the United States shall be a dollar, a half-dollar or fifty-cent piece, a quarter-dollar or twenty-five-cent piece, a dime or ten-cent piece; and the

weight of the dollar shall be 384 grains : the half dollar, quarter dollar, and dime shall be respectively one-half, one-quarter and one-tenth of the weight of said dollar, *which coins shall be a legal tender for their nominal value for any amount not exceeding five dollars in any one payment.*"

Another section of the bill provided that no other silver coins than these should be issued from the mint. And a third clause said that the gold dollar should be the unit of value. Here were three distinct notifications, and each was sufficient to call attention to the fact that all silver coins were hereafter to be subsidiary and not full legal tender. But attention was called to it in other ways. Four members of the House (Clarkson N. Potter, W. L. Stoughton, Samuel Hooper, and Wm. D. Kelley) discussed the omission of the silver dollar and the consequent establishment of the single gold standard in the House on the 9th of April, 1872.

Mr. Hooper said :

"As the value of the silver dollar depends on the market price of silver, which varies according to the demand and supply, it is now intrinsically worth, as before stated, about three cents more than the gold dollar. By the act of January 18, 1837, the standard of the silver coins was increased to nine hundred thousandths fine, which reduced the weight of the dollar from four hundred and sixteen to four hundred and twelve and a half grains; the amount of pure silver, however, remained the same, namely, three hundred and seventy-one and one-fourth grains. The committee, after careful consideration, concluded that twenty-five and eight-tenths grains of standard gold constituting the gold dollar should be declared the money unit or metallic representative of the dollar of account."—*Congressional Globe*, 2d Session, 42d Congress, page 2305.

* * * * *

"Section sixteen re-enacts the provisions of existing laws defining the silver coins and their weights respectively, except in relation to the silver dollar, which is reduced in weight from four hundred and twelve and a half to three hundred and eighty-four grains, *thus making it a subsidiary coin in harmony with the silver coins of less denomination*, to secure its concurrent circulation with them. The silver dollar of four hundred and twelve and a half grains, by reason of its bullion or intrinsic value being greater than its nominal value, long since ceased to be a coin of circulation, and was melted by manufacturers of silverware. It does not circulate now in commercial transactions with any country, and the convenience of those manufacturers in this respect can better be met by supplying small standard bars of the same standard, avoiding the useless expense of coining the dollar for that purpose. The coinage of the half dime is discontinued for the reason that its place is supplied by the copper-nickle five-cent piece, of which a large issue has been made, and which, by the provisions of the act authorizing its issue, is redeemable in United States currency."—*Ibid.*, 2306.

Mr. Stoughton said :

Aside from the three-dollar gold piece, which is a deviation from our metrical ratio, and therefore objectionable, the only change in the present law is in more clearly specifying the gold dollar as the unit of value. This was probably the intention and, perhaps the effect of Act of March 3d, 1849, but it ought not to be left to inference or implication. The value of silver depends, in a great measure, upon the fluctuations of the market, and the supply and demand. Gold is practically the standard of value among all civilized nations, and the time has come in this country *when the gold dollar should be distinctly declared to be the coin representative of the money unit.*"—*Ibid.*, page 2308.

Mr. Potter said :

"Then, in the next place, this bill provides for the making of changes in the legal tender coin of the country, *and for substituting as legal tender coin of only one metal instead as heretofore of two.* I think myself this would be a wise provision, and that legal tender coins, except subsidiary coins, should be of gold alone; but why should we legislate on this now when we are not using either of those metals as a circulating medium? The bill provides also for a change in respect of the weight and value of the silver dollar, which I think is a subject, which when we come to require legislation at all, will demand at our hands very serious consideration, and which, as we are not using such coin for circulation now, seems at this time to be an unnecessary subject about which to legislate."—*Ibid.*, page 2310.

Mr. Kelley said :

"I wish to ask the gentleman who has just spoken (Mr. Potter) if he knows of any government in the world which makes its subsidiary coinage of full value? The silver coin of England is ten per cent. below the value of gold coin. And, acting under the advice of the experts of this country, and of England and France, Japan has made her silver coinage, within the last year, twelve per cent. below the value of gold coin, and

for this reason : *It is impossible to retain the double standard.* The values of gold and silver continually fluctuate. You cannot determine this year what will be the relative values of gold and silver next year. They were fifteen to one a short time ago ; they are sixteen to one now.

“ *Hence all experience has shown that you must have one standard coin, which shall be a legal tender for all others, and then you may promote your domestic convenience by having a subsidiary coinage of silver, which shall circulate in all parts of your country as legal tender for a limited amount, and be redeemable at its face value by your government.*”—*Ibid.*, page 2316.

The proposed dollar of 384 grains, which had been inserted in the bill because it was exactly the weight of two half dollars, and almost exactly the weight of the French five-franc piece, was stricken out by the Senate, and the trade dollar of 420 grains was inserted in its place. This was a coin intended to circulate in China. It was considered to be a convenient ingot for the sale of American silver to Oriental countries, and was made a little heavier than the Mexican dollar in order to supersede that coin in the far East.

The law of 1873 was not passed secretly or silently or without due consideration. The silver dollar was an obsolete coin. Not one man in ten of mature years had ever seen one. It was worth two or three cents more than the gold dollar. Nobody could anticipate that it would ever be worth less than the gold dollar. The law of 1873 was enacted by the people of the United States, in the only way they ever enact a law. It has remained on the statute book nearly a quarter of a century and several direct attempts to repeal it have failed. During this interval silver has fallen, as compared with gold, more than one-half. During this interval all the business of the nation has been adjusted to the gold standard. Indeed, it had been on the gold basis in practice ever since 1834, except during the suspension of specie payments. The whole of the national bonded debt had been contracted on the gold basis, in law as well as in fact, having been refunded subsequently to the Act of 1873.

Now it is proposed to change the character of the *dollar* so that public and private debts may be paid with half of what was promised. That is so manifestly dishonest that when the advocates of the policy are pushed pretty sharply, they say that prices have fallen so that the half dollar is worth as much as the whole dollar was in 1873. Suppose this were true, what about debts that were contracted on the gold basis yesterday ? There has been no great decline in the prices of commodities in that time. Moreover, people did not agree to pay and receive commodities, but dollars. The question in the forum of morals is not what a dollar *will buy*, but what a *dollar is*. A time may come when a dollar will not buy as many useful things as it would in 1873. Suppose in that case, that creditors should say that when they made their contracts, a dollar would buy twice as many useful articles as it will now, and ask Congress to pass a law making the dollar twice as large as before. What sort of answer would they receive ? The fitting answer would be that the government had chosen the most stable thing it could find to serve as the material for the dollar ; that it never intended to guarantee the purchasing power of the dollar in terms of any other article or articles, and that any attempt to do so in the interest of a class would be dishonest. Equally dishonest is the demand that the dollar be changed in the interest of another class.

CHAPTER VI.

THE DEBATE WITH LYMAN J. GAGE.

We shall now examine something which has the outward semblance of an argument. It is that part which embraces the colloquy with Mr. L. J. Gage. Mr. Gage, says “Coin,” asked the question : “How can you have, at any fixed ratio, the same commercial value on two separate metals that are from time to time varying in the quantity of each produced ?” To which “Coin” made an elaborate answer, beginning thus :

“When the mints of the world are thrown open and the governments say, ‘We will take all the silver and gold that comes,’ an unlimited demand is established. The supply is limited. Now, with an unlimited demand and a limited supply, there is nothing to stop the commercial value of the two metals going up in the market except the governments saying : ‘Hold on—these metals are for money—we fix the value at

which they circulate. This unlimited demand is for silver at \$1 for 371½ grains, and \$1 for 23 2-10 grains of gold—we stamp those into dollars respectively in those quantities.”

Observe first that “the mints of the world” (not any less number) are to be thrown open in order to create an unlimited demand. Mr. Gage’s attention being thus fixed, “Coin” continued :

“England demonetized silver in 1816, but as Germany, France and the Latin Union and the United States had their mints open to the free coinage of silver and gold, the demand thus created was sufficient to maintain the parity (equal value) of the two metals and the action of England had no effect on the price of silver.”

Then he says that the United States demonetized silver in February, 1873, and was followed by Germany in July, 1873—the fact being that Germany did it on the 23d of November, 1871—that France and the Latin Union did it in 1874, and India in 1893, which accounts for the decline in the price of that metal. Next we have a table of the market ratios of silver and gold from 1687, when it was 14.94, to 1873, when it was 15.92, to show how steady they had been before the latter date.

“You will see from this table,” continued “Coin,” “that from 1687 to 1873 the commercial ratio of the two metals was never lower than 1 to 14.14 and never higher than 1 to 16.25, a variation of *only about two points*.”

What is meant by “two points”? They are spoken of as something quite trivial! Bear in mind that the whole question is this: What deviation of the market ratio from the legal ratio will suffice to carry one or other of the metals out of circulation and have us going on one leg, as “Coin” is fond of putting it? The difference between 14.14 and 16.25 is exactly 15 per cent. Is this a trivial matter? Under modern conditions of trade a premium of one-tenth of one per cent. is sufficient to carry either one of the metals to the melting-pot or to foreign countries. Mr. Robert Giffen says that a much smaller premium than the one we have named will suffice to carry gold out of circulation. *A fortiori* the “two points” which “Coin” juggles into the reader’s mind as something quite insignificant would constitute an absolutely impassable barrier to bimetallism. But the effect was paralyzing to the intellect of Mr. Gage, who replied that this steadiness of only two points variation “has been due to the enlarged use of these two metals as money under a free-coinage law adopted by the principal nations of the world.”

Observe that “the mints of the world” have dwindled to “the principal nations of the world,” without particular designation. Having got Gage to admit more than “Coin” had contended for, the latter continued thus :

“Then, Mr. Gage, said “Coin,” “we agree, do we not, that the commercial value of silver and gold can be maintained at par on a fixed ratio at 15½ to 1, or 16 to 1, if their free coinage is provided for by the same nations that had such a law in 1873?” “Yes,” said Mr. Gage, “we agree thus far.”

Here “the mints of the world,” with which this lecture began, and which if thrown open to both metals would create “an unlimited demand” for both have shrunk again. A moment ago they were the principal nations of the world. Now they are “the same nations that had such a law in 1873,” *i. e.*, the United States and the Latin Union! This is the reverse process of *Falstaff’s* men in buckram.

This is the proper place for introducing a letter written by Mr. Gage himself to the New York *Evening Post*, viz. :

“HOLLAND HOUSE,
“NEW YORK, April 8, 1895.

“TO THE EDITOR OF THE EVENING POST :

“SIR : In answer to your inquiry about ‘Coin’s Financial School,’ and my name as it appears in a certain lecture described therein, I beg to say that I never attended any such lecture, that I never asked any such questions, or made any such answers, as are there set forth. It is a fabrication from beginning to end. I have had many letters from all parts of the country inquiring whether or not I was correctly reported in the alleged discussion, all of which I have answered in the negative. It is time the truth was put on foot to overtake the lie.

Truly yours,

L. J. GAGE.”

other victims to expect when he spoke of the government buying cavalry horses. Why did the price of silver decline when the government's purchases increased? Because the supply increased also, and because the public knew that the purchases must stop some time, just as purchases of cavalry horses stop some time. The supply of cavalry horses would increase in like manner after a while. It takes five years to produce a cavalry horse. During five years we might expect a considerable advance in the price of horses if the government's purchases were steady, but at the end of that time the supply would equal the demand, and the price would fall back to the place of beginning.

Really the figure of speech adopted by "Coin" is deceptive in another way. Free coinage, which he aims at, does not imply any purchases by the government at all. Therefore all his talk about the government buying cavalry horses is fustian.

This is a suitable place, however, to say that free coinage of both gold and silver does not create an unlimited demand for both metals. It does not even change the pre-existing demand except for one purpose—that of paying pre-existing debts. After this temporary purpose is achieved, then, supposing that the ratio is really effectual, and that the two metals are at a parity in the market, the general preference for gold, arising from its convenience in all commercial transactions which call for the use of a money metal, will be as strong after bi-metallism as before. Banks and individuals who have to transfer metal and to store it and take care of it will pay a premium for it equal to the extra cost of handling silver, and when a premium is paid for one of the metals, bi-metallism no longer exists.

This is on the supposition that the ratio agreed upon is so near the market ratio that we "start fair." That ratio would be about 32 to 1. If we do not start fair we shall stumble at the first step. There will be an immediate grab for gold, and bi-metallism will be dead before it is born. But, it is asked, what could anybody do with gold except to pay his debts with it? He could use it to make new bargains on a gold basis. It is admitted that the law can compel people to take silver or copper or anything else for past debts. Our history has many lamentable examples where the law compelled people to accept much less than they had bargained for—continental money for example. But it is firmly denied that the law can compel people in this country to make future bargains in silver if they prefer to make them in gold.

Continuing this lecture, we come to the following statement (page 52):

"The demonetization of silver destroyed one-half of the *redemption* money of the United States. It did it in this way: By making gold the *unit* and closing the mints to silver, it lessened the demand for silver, and its commercial value at once began to depreciate as measured in gold."

The demonetization of silver did not destroy a dollar of *redemption* money, because there was none at that time of either silver or gold. There can be no redemption money without redemption. Even if we had been redeeming our greenbacks at that time, we should not have redeemed any with silver, because, as "Coin" tells us on page 19:

"At the time the United States demonetized silver, in February, 1873, silver as measured in gold was worth \$1.02."

Is it likely that the government would have bought silver at 2 per cent. premium to redeem its greenbacks with when it could redeem them with gold at par? That is what "Coin" wants his scholars to believe.

"Here Mr. Walsh arose again, and Coin paused to hear the question" (page 54).

This seems to be the proper place to insert Mr. Walsh's denial that he ever asked any questions.

"To the Editor of the N. Y. Evening Post:

"Sir.—I am very glad that your inquiry of April 9 gives me an opportunity to correct any misapprehension that might be caused by the use of my name in the book called 'Coin's Financial School.' I never attended any of the lectures referred to in that book, and therefore, could not have used the language with which I am credited.

JOHN R. WALSH.

CHICAGO, April 11."

CHAPTER VIII.

COIN'S SERIES OF EXPLOSIONS.

The next thing in order is "Coin's" lecture on panics illustrated by cuts. He arranges a series of parallelograms divided into sections, one above another, the lowest section being marked "Primary money," the next highest "Credit money," the next "Checks, drafts and bills of exchange," and the highest of all "Notes, bonds, mortgages and accounts," in order to show the genesis of panics and how explosions take place when the three upper sections become too much expanded in proportion to the lower one. No mention is made of the panic of 1873, which came at a time when we were not using any primary money at all.

With much affectation of learning spread over three pages, we are led up to this proposition (page 58):

"Finally the silver-men, pushing their cause, forced the declaration from the administration that all paper was redeemable in gold and silver at the option of the *holder*. This meant that they [*sic*] demanded the most favored and valuable of the two—gold. The government had stored most of the silver and issued paper money on it which was declared to be redeemable in gold. This cut the base of the column half in two and left us with only half a foundation for our financial system."

Thus, we are told, the financial crisis of 1890 (the Baring crisis) was produced, and this is illustrated by an explosion so destructive that gold itself disappears in the picture, while, according to the text, it "was involved under the enormous strain placed upon it," whatever that may mean. These pictures are indispensable because nobody can possibly understand the argument. Take, for example, the quotation printed above, which is really the most intelligible part of the lecture. This tells us two things, viz.; (1) that the silver-men forced the Administration (meaning the Harrison administration) to declare that all paper money was redeemable in gold or silver at the option of the *holder*; (2) that this took half of our primary money away and weakened correspondingly the foundation upon which the other things in the column rested.

"Coin" had previously told us, on page 52, that silver dollars were *not* primary money at all, but only token money, and that this fact dated from the demonetization act of 1873, which is true. Here we have silver dollars serving as primary money, until "the administration" made a certain declaration, when it ceased to be primary money, and then a series of explosions took place, first the Baring crisis, and then the crisis of 1893, and all the subsequent disasters. The Australian panic is not specifically mentioned, but surely that is as much entitled to be counted among the results of the declaration of Harrison's administration as is the Baring crisis of England and Argentina.

The whole of this jargon about panics is an arrangement of pegs upon which to hang the pictures of the explosions. Nobody can understand it, but most people can understand an explosion—that is, they know that when an explosion takes place, the things resting on the explosive material go up into the air. The artist can arrange these as he likes, and there is no danger that anybody will dispute the arrangement.

HOW PROF. LAUGHLIN GOT LEFT.

The next person who tackled "Coin" was Prof. Laughlin of the University of Chicago, and this was the question he put:

"You have stated since this school began that, so long as free coinage was enjoyed by both metals, the commercial value of silver and gold had never differed *more than two per cent.*, and that this difference was accounted for by the disturbance of the French ratio and the cost of exchange. Am I right in so quoting you?" "You are," replied "Coin."

Now, "Coin" had not said any such thing. He had said "two points," which we have heretofore shown was *fifteen* per cent., but he wanted people to understand it in that way. But Laughlin seemed to think that as small a variation as two per cent. offered some chances of the metals parting company, and he asked if there was not some danger of it. Also whether silver coin had not sold at a premium as high as eight per cent. over gold "several times prior to 1857." This last question is abso-

lucely unintelligible. It was thrown in for the purpose of making Laughlin appear like a fool.

"Coin" began his answer with some wholly irrelevant remarks about the scarcity of small bills in the summer of 1893, which led people to pay a premium for them during a brief period—this by way of showing that a persistent variation between silver and gold, extending over a period of two centuries, is a phenomenon resembling a panic of two or three weeks' duration. Then he says, addressing Laughlin:

"At the time you speak of nearly all small money was made from silver, and on account of the French premium for silver our silver was leaving us. Small money was scarce, and frequently commanded a premium, not on account of the value of the silver bullion, but upon the demand for small money. Gold dollars commanded the same premium as silver dollars and fifty-cent pieces."

If this means anything, it means that the French people were so short of small coins that they bought ours away from us at a premium, and used it without remelting, because that would have made it bullion, whereas "Coin" says that the premium was not on account of the bullion, but "upon the demand for small money." Now, in order to buy our small coins at any time after 1853, the French people would have been obliged to pay seven per cent. more for it than it was worth as bullion, because we had reduced its weight in that year and made it subsidiary or token money, as "Coin" had already remarked in an unguarded moment. But history does not mention any time when France was using our small money in her local circulation, although we did use hers at one time.

After the foregoing colloquy on the subject of the drainage of our small coins to Europe "prior to 1857" on account of the premium offered for them by the greenhorns of France, "Coin" asked Laughlin whether he was satisfied with the answer, saying: "I have the exchangeable quotations of silver and gold bullion at the time you speak of." The professor said he was satisfied. "I am glad these questions are asked," said "Coin." "These statements, when used and not answered, confuse the people." Rabelais's debate on the question "whether a chimera ruminating in a vacuum devour eth second intentions" is the nearest parallel to this discussion between "Coin" and Laughlin, but the latter says in the following note that it never took place at all:

THE UNIVERSITY OF CHICAGO, }
April 13, 1895.

TO THE EDITOR OF THE N. Y. EVENING POST:

Sir.—Your inquiry as to whether I made the remarks attributed to me in a small book called "Coin's Financial School," is but one of many which I have received from various parts of the country. The book is filled with so many false and misleading statements that I have deemed it unworthy of notice. But I am glad to give publicity to the denial that any such lectures as are detailed in the book ever took place in Chicago, or anywhere else; and here say that I was never present at any such meetings, and that I never made any of the remarks attributed to me on page 68, or on any other page. The whole book is a clever fabrication of falsehoods. Very truly yours,

J. LAWRENCE LAUGHLIN.

"THE BOY LIED."

It will be noticed that Prof. Laughlin says that none of these lectures ever took place, although "Coin" says that they took place at the Art Institute in Chicago, beginning on the 7th day of May, 1894.

It was shrewdly calculated by "Coin" that most of the readers of the book, catching it up hastily and glancing through it, would conclude that such lectures actually took place, and that the persons whose names were used would pass it over with silent contempt, which would answer all the purposes of an admission that it was true. It all turned out as he anticipated except that after Gage, Laughlin, and the rest had got tired of answering letters from persons who really supposed that they had been truthfully reported, they decided to make a wholesale denial in order to save their own time and labor. The reading public do not like to have practical jokes played on them even on All Fools' Day. Hence it is no wonder that there has been considerable reaction against "Coin" since the public have found out that "the boy lied."

After Laughlin had been polished off, a man named Eustis asked the following question, page 70:

"Then," said Mr. Eustis, "the Latin Union, Germany, and the United States, by free coinage, had maintained the commercial value of silver at par with gold?" "Yes," was "Coin's" reply.

This phrase, "The commercial value of silver at par with gold," has no meaning unless a ratio is mentioned at which parity is maintained. As no such ratio is mentioned, we might pass it over as one of a large number of phrases in this book as meaningless as that quoted from Rabelais, but the fact is that the Latin Union's ratio was $15\frac{1}{2}$ to 1, that of the United States 16 to 1, and that Germany had no ratio, having been on the single silver standard prior to 1871.

Eustis's appetite for lies was not yet satisfied. He asked one more question:

"And the United States," said Eustis, "was the first of these to attack silver and demonetize it?" "Yes," said "Coin."

The truth being quite different. Germany demonetized it in 1871, the United States in 1873.

CHAPTER IX.

"COIN'S" LECTURE ON THE GREENBACK SYSTEM.

On page 76, a certain Mr. Ridgley of Ogden, Utah, wants to know what is the objection to a purely greenback system of money.

"The objection which is urged," said "Coin," "is this: So long as there was confidence in the government, it would be a sound, stable money; but so soon as confidence in the government is shaken, it would depreciate in exchangeable value. When the danger became imminent *that the government was not able to enforce its legal tender character*, having no commercial value, it would become *more or less worthless*."

What is the condition under which a government is not *able* to enforce the legal-tender character of its paper? Our government, during the Revolutionary war, enforced the legal-tender character of Continental money until it had fallen to 1,000 for 1. The difference of effort required to enforce the legal-tender character of that kind of paper and of paper worth nothing at all is not perceptible. In fact, no effort was needed to enforce its legal-tender character even after it had become worthless. The only thing requiring an effort was to repeal the legal-tender acts. If these had been left unrepealed, creditors would have been powerless to refuse the paper for past debts. What "Coin" meant by this phraseology we defy anybody to explain.

Mr. Ridgley appears not to have been entirely convinced, for he proceeded to ask questions, viz: "Isn't it a fact that when war and great disturbances come, redemption money disappears and paper money takes its place anyhow? So, are not the people at such times embarrassed with a paper money fluctuating with their confidence in the government, and saddled with a worthless paper money if the government goes down, and does the use of silver and gold as money ever prevent this condition from arising?"

"The use of redemption money," replied "Coin," "does not prevent the conditions you describe. *Paper money always takes its place at such times*."

This is a statement that specie payments are always suspended during wars and great disturbances, but without any definition of a great disturbance. Probably it means any condition where specie payments are suspended—that is, that specie payments are always suspended when they are suspended. This can hardly be denied, but the general proposition that specie payments are always suspended during wars may be. There is no limitation on account of time, or place, or the size of the war. Well, we did not suspend specie payments during the Mexican war. We have had several Indian wars in which we did not suspend. England did not suspend during the Crimean war, or in any other of her numerous wars since 1820. Germany did not suspend during the Franco-German war of 1870. There is no evidence that David suspended during his wars with the Philistines, or Xerxes during his invasion of Greece, or Caesar during his Gallic wars.

Equally edifying is his explanation of social conditions during suspension: "After the use of redemption money ceases, because of war," he tells us, "every one is on the same footing. As the paper money fluctuates from day to day all are taking chances alike. If it becomes wholly worthless, all have suffered more or less proportionately, and primary money immediately takes its place."

This is a flat contradiction of observed facts during every era of irredeemable paper. It is not true that "every one is on the same footing." On the contrary, speculators are on one kind of footing and laboring men on another kind. This was the most conspicuous and notable feature of social and industrial life during the civil war, both North and South. It was the same way during the Revolutionary war. A laboring man working for \$30 per month would find his wages, when they became due, worth only \$15. As the continental money neared its end and the depreciation became rapid, Prof. Sumner says that "a man might lose his whole wages while earning them." And yet "Coin" tells us that the employer and the employe are on the same footing.

A PRECOCIOUS TRAITOR.

Continuing to enlighten Ridgley, on page 77, after he has told us how primary money (meaning metallic money), takes the place of paper money when the latter becomes worthless, he says :

"This latter is true, whether a new government is founded on the ruins of the old one at once or not. There may be a long interregnum, as in France towards the close of the last century, when one form of government was from year to year almost substituted for another. No one knew what was coming next. No stability was in the government itself. During such a period, which may last for years, it would be impossible to make paper money circulate. But money made from property having a commercial value would circulate, and would assist materially in restoring order and civilization. In fact, it would be hard to restore civilization without its use during such a period."

"We are approaching such a period now, unless wise statesmanship shall intervene ; commodity money—silver and gold—will be our only money, and will have to answer the purpose of a medium of exchange until a stable government can get on its feet and issue *paper* money."

"All know and feel the necessity of money, and if chaos comes in this country, it may be years before there is another government sufficiently established to give confidence generally to its issue of paper money."

What is it that we are approaching now ? Evidently, the condition that France was in towards the close of the last century—that is, revolution, reign of terror, Jacobinism, and finally Bonapartism and a stable government. All this is to come "unless wise statesmanship shall *intervene*." The only statesmanship that "Coin" knows or cares about is silver at 16 to 1. Therefore, the logic of his position is that unless we have free coinage at 16 to 1 the government will be broken up and a more stable one put in its place. Who will break it up ? Those who are dissatisfied with it, of course. But the only dissatisfied ones are the 16 to 1 silverites. We fear that "Coin" is a precocious young traitor. We advise the Chicago police to keep an eye on him.

CHAPTER X.

JUGGLING WITH PRICES.

On page 108, "Coin" presents a table of prices of wheat beginning in 1872, at \$1.40 per bushel (not mentioning the fact that that was the quotation in irredeemable paper), and ending in 1893, at 63 cents per bushel.

Then he says :

"If a dollar buys a bushel of wheat during a time when the supply is normal, and the conditions continuing normal, at a later time a dollar will buy two bushels of wheat, then the dollar has doubled its purchasing power."

To complete the sentence he should have said "in wheat"—its purchasing power in wheat. But he wanted his readers to understand that if a dollar would buy twice as much wheat at one time as at another it would also buy twice as much of everything else. Mr. J. K. Upton has examined this jugglc, as it has been repeated by Mr. W. H. Harvey, in his letter to President Cleveland. Mr. Upton shows that ten years ago the price of wheat was 77 cents per bushel while to-day it is 57 cents, a decline of 26 per cent. instead of 50 per cent. On the other hand the price of corn ten years ago was 35 cents per bushel, while to-day it is 45 cents, an increase of 28 per cent. As the corn crop of the United States is one-half greater in value than the wheat crop it follows that the farmers of the country have been gainers on these two crops taken together. From this Mr. Upton draws the

reasonable inference that the standard of value has nothing to do with the matter. What has to do with the matter is sufficiently plain if you look at the statistics of production. In 1884 the wheat crop was 357,000,000 bushels; in 1894 it was 460,000,000, an increase of more than 100,000,000 bushels, and there was a general increase at the same time in the product of other countries. Would not such an increase of itself explain the fall in value? The corn crop of 1884 was 1,796,000,000 bushels, that of 1894 was but 1,213,000,000, a decrease of 573,000,000 bushels. Would not such a decrease in itself explain the increase of value per bushel?

CHAPTER XI.

THE ENGLISH OCTOPUS.

We have finished our examination of the serious part of "Coin's Financial School." What follows is either broad farce or blatant demagogism. On page 124 we have a picture of "The English Octopus." This represents the island of Great Britain reaching out its tentacles to all parts of the world and sucking in gold. A helpful conceit, surely, to enable earnest citizens to reach a decision on a question of domestic policy. How can it make any difference to England what kind of currency *we* have? We had a more fluctuating currency than silver at one time, but England did not mind. What we owe *to* England is payable *in* England, and if her money is pounds sterling we must pay in pounds sterling, if we pay at all. Therefore it is all one to her whether our currency is gold or silver or paper or chips or whetstones. It may be said that she has some money invested in this country in such a way that she must take her pay in our money, whatever it may be. That is true, but she can sell these things, and has been doing so lately to a large extent, and this withdrawal of capital has been the chief cause of the hard times here during the past two or three years. But suppose she does not sell. Suppose that she concludes to take pot luck with us as to these particular investments. How does that fact alter, or in any way affect, the octopus? The theory of "Coin" is that we shall all be better off when we have free coinage at 16 to 1 (which means silver monometallism). If we are better off, the octopus will be better off too as regards his American bloodsucking. But he will be just as much of an octopus as before, and will suck all the harder if he finds the nourishment more agreeable. So the only aim of the picture is to create prejudice against England, or to play upon prejudices already existing.

That this is the real aim, almost everything that follows shows. Thus, on page 131 we read:

"If it is claimed that we must adopt for our money the metal England selects, and can have no independent choice in the matter, let us make the test and find out if it is true. It is not American to give up without trying. If it is true, let us attach England to the United States and blot her name [whose name?] out from among the nations of the earth. [Applause.]"

Here we have the idea of England seeking to force her standard on other countries, when she does not care a rap what kind of a standard they have. Mr. Goschen, her leading representative at the monetary conference of 1878, was solicitous that other nations should adopt bimetallism and let England have the gold standard alone. A very fickle octopus.

WAR WITH THE OCTOPUS.

The next thing that comes out of "Coin's" mouth is a little more brassy than the last. He says:

"A war with England would be the most popular ever waged on the face of the earth. [Applause.] If it is true that she can dictate the money of the world and thereby create world-wide misery, it would be the most just war ever waged by man. [Applause.]"

The applause interjected here and there is in furtherance of the idea that there was an audience listening to this stuff, composed of people so bereft of common sense as to approve of it. But in the next paragraph he changes his tactics and tells us that England is not forcing the gold standard on us, and that we can adopt silver without fighting her. Why, then, did he talk about a war with England being so popular, and why did his hearers break out in applause about nothing?

A little further along he changes his tactics again, and goes in for war once more saying :

“Whenever property interests and humanity have come in conflict, England has ever been the enemy of human liberty. All reforms with those so unfortunate as to be in her power have been won with the sword. She yields only to force. [Applause.]”

Then he turns against the money-lenders of the United States and rends them, and says :

“To that end they organize international bi-metallic committees, and say . ‘Wait on England, she will be forced to *give us bi-metallism.*’ Vain hope ! Deception on this subject has been practised long enough upon a patient and outraged people.”

This is a rap at that distinguished money-lender, Senator Wolcott, of Colorado, who showed more interest than anybody else in organizing the existing bi-metallic committee. In fact, it was on his motion that the committee was created and an appropriation voted for its expenses. And what is it that Wolcott, the money-lender, is pretending to do ? Forcing England to give us bi-metallism ! This is on page 133, but on the preceding page it was shown that England’s consent was not necessary at all.

The next caper of this queer logician is funnier than any of the previous ones. He tells us that “only 4 per cent. of the business of the people of this nation is carried on with foreign countries, and a part of this 4 per cent. would be carried on with silver-using nations, while 96 per cent. of the business of our people is domestic transactions. Home business.”

So all the talk of war with England was about a bagatelle. Our trade with England is only one-third of our total foreign trade, and therefore only one-third of four per cent. of our domestic trade—*i. e.*, $1\frac{1}{3}$ per cent.

We are disappointed, however, to find “Coin” going in for war with England a third time, on page 135, and a fourth time on page 147. Somehow, there is no way of avoiding it ; but on page 135 we encounter a proposition which strikes us speechless. It is this :

“The gold standard will give England the commerce and wealth of the world. The bi-metallic standard will make the United States the most prosperous nation on the globe. [Applause.]”

How these identical effects should be produced by two different policies there is no hint of explanation. It is like saying that cold water will make John the strongest man in the world and whiskey will make James the most robust.

A LITTLE MORE TREASON.

Next we have another threat of treason and civil war, and a pretty strong one too (page 135) .

“To avoid the struggle means a surrender to England. It means more—*it means a tomb raised to the memory of the Republic.* Delay is dangerous. At any moment an internecine war may break out among us. Wrongs and outrages will not be continuously endured. The people will strike at the laws that inflict them.”

This does not look to a change of the law by constitutional means, but to the subversion of the Government and the raising of a tomb to its memory. It is hard to say which war “Coin” is most in favor of—war with England or “internecine war.”

The whole argument of the book, so far as it uses argument, is that we need more money, and that free coinage at 16 to 1 will give us more. That is exactly what the other side deny. They say that it would merely displace gold and give us no more money than we had before, but a *poorer kind*. In his pretended dispute with L. J. Gage, on page 38, “Coin” said that he should “leave the subject of independent free coinage by the United States to the last.” Looking anxiously for that, we find it to consist of his assertion that “free coinage by the United States will at once establish a parity between the two metals,” meaning a parity at the ratio of 16 to 1. Now all the bimetalists of repute in this country, such as Gen. Francis A. Walker and the late S. Dana Horton, hold the contrary opinion.

AND REPUDIATION.

If, however, free coinage at 16 to 1 should banish gold from circulation, a way to get it back is pointed out on page 143, *viz.* :

“With silver remonetized and a just and equitable standard of values, we can, if necessary, by act of Congress *reduce the number of grains in a gold dollar till it is of the same value as the silver dollar.* [Applause.] We can legislate the premium out of gold. [Applause.] Who can say that this is not an effective remedy? I pause for a reply.”

DOWN ON INTERNATIONAL BIMETALLISM.

This means passing a law to make fifty cents the equal of a dollar in all cases, which is indeed the aim of the free coinage party generally, although they not all avow it so frankly. Having got to this point “Coin” spews Gen. Walker, President Andrews. Senator Wolcott and all other international bimetallists out of his mouth saying that until they can answer the question quoted above he will “write upon the character of every international bimetallist the words ‘*gold monometallist.*’”

Speaking of Gen. Walker reminds us of another difference between him and “Coin.” “Coin” takes for the motto of his book these words:

“All money is a medium of exchange, but primary money only is the measure of values.”

General Walker read a paper at the meeting of the American Economic Association, at Chicago, Sept. 13, 1893 (since published as a pamphlet), entitled “The Value of Money.” In this he seeks to prove that prices of commodities are determined by the demand for, and the supply of, the actual coin *and notes* circulating as money, and not the coin only. His reason for holding this opinion is that:

“Bank notes are money. They are distinct and tangible things, which pass out from the bank and have their own separate life and course; which become the property of him in whose hands they are, just as truly as do coins of gold or silver. Like such coins they pass from hand to hand throughout the community, without reference to the character or the credit of the person offering them. Like such coins they are accepted in final discharge of debts and full payment for commodities, without necessary recourse to the issuing bank, except as they may individually become too much worn for further circulation, after performing, it may be a hundred, it may be a thousand, exchanges.”

For these reasons he maintains that bank notes which circulate as money are, equally with metallic money, factors in determining prices.

CONCLUSION.

All of “Coin’s Financial School” after the picture of the octopus consists of low appeals to Coxey’s army, or of unmeaning drivel. It is useless to pursue it farther.

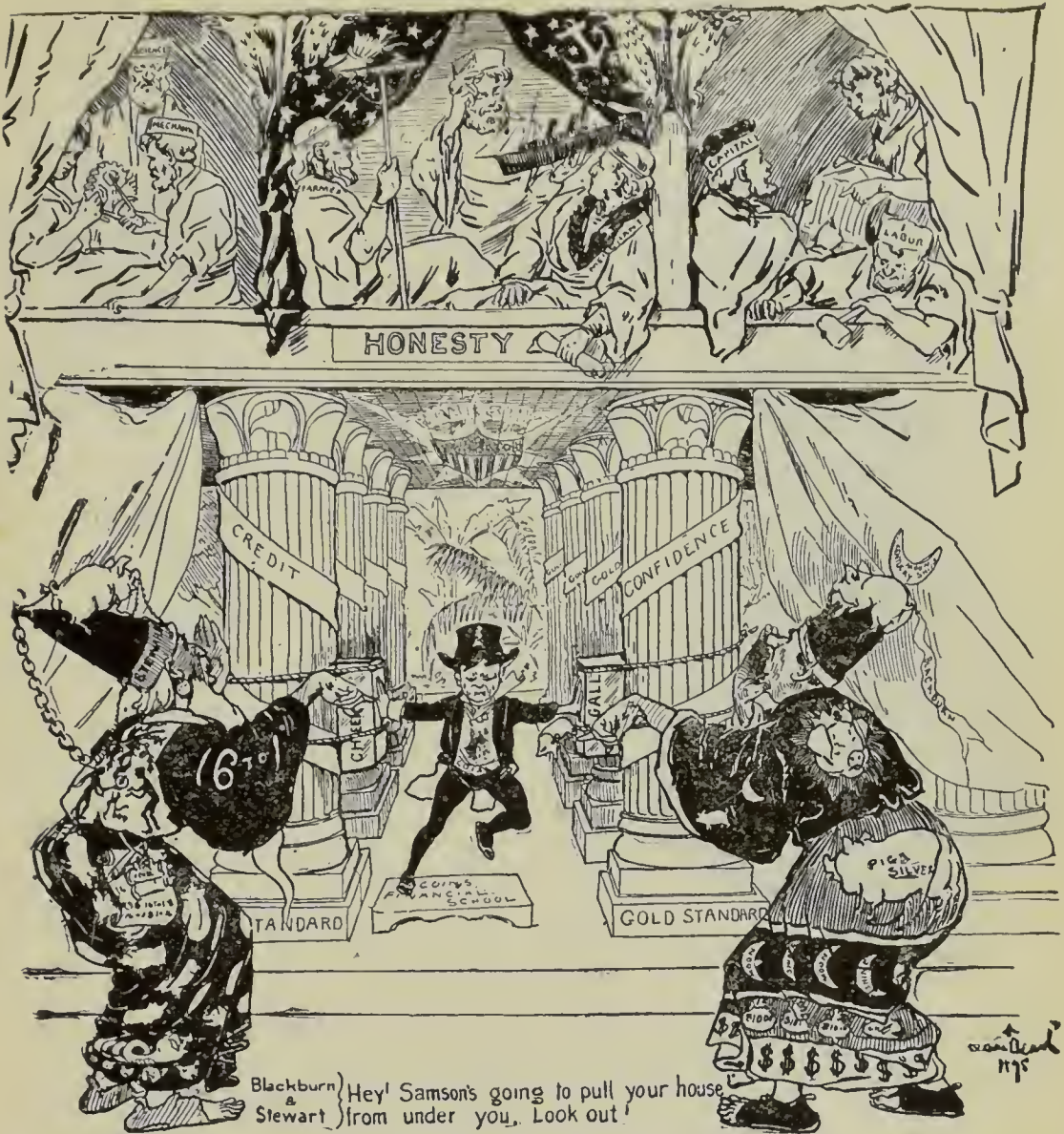
The question may be asked how the book came to have so much popularity and such a large circulation. The answer is easy—it is due to the pictures. These, it must be admitted, are very clever, although of unequal merit. Without them not five hundred copies of such a senseless book could have been sold, or given away. But what a gloomy fate would be ours if the destiny of the Republic lay in the hands of any skillful designer of comic almanacs!

THE COLUMBUS FORGERY.

Since the foregoing pages were written the Indianapolis *Journal* has come to hand with some further remarks on the Columbus forgery already referred to. It says:

“W. H. Harvey, author of ‘Coin’s Financial School,’ writes to a Chicago paper denying that a certain extract printed on the first page of his book is a forgery, as charged by the *Journal*. As it appears in the book it is credited to ‘Report United States Monetary Commission of 1878.’ Not a word of it appears in that report. Now comes Harvey and says it should have been credited to the report of the commission of 1876. This report, he says, contained ‘the exact language quoted.’ This is not true. The report contains most of the language quoted, but not all of it. The *pretended* quotation, after describing the effects of the reduction in the volume of metallic currency during the dark ages, says: ‘The discovery of the new world by Columbus restored the volume of precious metals, brought with it rising prices.’ *This is not in the report.* The *pretended* quotation also jumps over eleven lines of the report which go to show that other causes than the reduction of metallic currency may have contributed to the stagnation of the dark ages, and that the introduction of bills of exchange and paper currency certainly contributed to the revival. These eleven lines of the report are omitted because they did not suit the author’s purpose, and an entire sentence of his own is substituted. There is no typographical error in this. It is garbling and forgery with intent to deceive.”

U. S. TEMPLE OF FINANCE.



We owe more to credit and to commercial confidence than any nation which ever existed; and ten times more than any other nation except England. Credit and confidence have been the life of our system, and powerfully productive causes of all our prosperity.—*Daniel Webster.*

Looking abroad over the world I do not find a single country where Christianity and civilization are progressing, where the arts and the sciences are in the ascendant, where trade and commerce are growing, where schools and colleges flourish, where men and women are comparatively happy, where government is stable, and the laboring man earns a good wage for a day's work, that is not on the gold standard. On the other hand, I do not find a country where civilization and Christianity are retrograding, where the arts and sciences are backward, where schools and colleges are decaying, where revolutions are perennial, where men and women have no cause to be happy, and the laboring man is paid a miserable wage for a day's work, which is not on the silver basis. I do not say that all the highly enlightened, Christianized and prosperous nations are such because they have the gold standard, but I do say that all such nations have adopted it, demonstrating that gold is the standard of civilization and Christianity, of commerce and of labor. It is true that all progressive governments have adopted the gold standard, and that the unprogressive countries retain the silver standard. As Mexico adheres to implements of industry which the farmers of the United States discarded fifty years ago, so does it adhere to a standard of value which this country, guided by Andrew Jackson, discarded in 1834.—*Hon. Josiah Patterson.*

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You may be bold and bad, "Coin," but little boys can't hypnotize this young lady.

"COIN" THE DUNCE.



Put up your silk hat, "Coin," this one will fit you better.

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PUBLISHED SEMI-MONTHLY BY THE SOUND CURRENCY COMMITTEE OF THE REFORM CLUB.

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"Your committee conceive that it would be superfluous to point out, in detail, the disadvantages which must result to the country from any such general excess of currency as lowers its relative value. The effect of such an augmentation of prices upon all money transactions for time; the unavoidable injury suffered by annuitants, and by creditors of every description, both private and public; the unintended advantage gained by government and all other debtors, are consequences too obvious to require proof, and too repugnant to justice to be left without remedy. By far the most important portion of this effect appears to your Committee to be that which is communicated to the wages of common country labor, the rate of which, it is well known, adapts itself more slowly to the changes which happen in the value of money, than the price of any other species of labor or commodity. And it is enough for your Committee to allude to some classes of the public servants, whose pay, if once raised in consequence of a depreciation of money, cannot so conveniently be reduced again to its former rate, even after money shall have recovered its value. The future progress of these inconveniences and evils, if not checked, must at no great distance of time work a practical conviction upon the minds of all those who may still doubt their existence; but even if their progressive increase were less probable than it appears to your Committee, they cannot help expressing an opinion, that the integrity and honor of Parliament are concerned, not to authorize longer than is required by imperious necessity, the continuance in this great commercial country of a system of circulation, in which that natural check or control is absent which maintains the value of money, and by the permanency of that common standard of value, secures the substantial justice and faith of moneyed contracts and obligations between man and man."

"THE BULLION REPORT."

	PAGE.
I. ALLEGED SCARCITY OF GOLD.....	429
PRICE OF GOLD IN CONTINENTAL MARKETS.....	429
PRICE OF GOLD IN ENGLAND.....	430
PRICE OF BULLION COMPARED WITH COIN....	431
HAMBURG CURRENCY METHODS.....	432
II. STATE OF FOREIGN EXCHANGES.....	433
PAR OF EXCHANGE.....	435
COST OF TRANSPORTING GOLD.....	436
IMPORTS AND EXPORTS....	437
ACTUAL STATE OF FOREIGN EXCHANGE.....	438
III. EFFECT OF BANK OF ENGLAND QUASI LEGAL-TENDER ISSUES ON GOLD EXPORTS AND PAPER DEPRECIATION..	439
PRACTICE OF THE BANK.....	440
EARLIER VARIATIONS IN EXCHANGE.....	441
CONVERTIBILITY THE BEST REGULATOR.....	444
CHARACTER OF DISCOUNTS INSUFFICIENT TO GUARD AGAINST DEPRECIATION.	444
IV. CONSEQUENT INFLATION OF CURRENCY.....	448
QUANTITY OF CURRENCY REQUIRED A RELATIVE MATTER.....	449
CIRCULATION OF COUNTRY BANKERS	450
V. CONCLUSIONS.....	452

REPORT FROM THE SELECT COMMITTEE ON THE HIGH PRICE OF GOLD BULLION.

Ordered, by the House of Commons, to be printed, 8 June, 1810.

THE SELECT COMMITTEE appointed to enquire into the cause of the High Price of Gold Bullion, and to take into consideration the state of the Circulating Medium, and of the Exchanges between Great Britain and Foreign Parts ;—and to report the same, with their Observations thereupon, from time to time, to the House ;—Have, pursuant to the Orders of the House, examined the matters to them referred ; and have agreed to the following REPORT :

Your Committee proceeded, in the first instance, to ascertain what the price of gold bullion had been, as well as the rates of the foreign exchanges, for some time past ; particularly during the last year.

Your Committee have found that the price of gold bullion, which, by the regulations of his Majesty's Mint, is 3*l.* 17*s.* 10½*d.* per ounce of standard fineness, was, during the years 1806, 1807, and 1808, as high as 4*l.* in the market. Towards the end of 1808 it began to advance very rapidly, and continued very high during the whole year 1809 ; the market price of standard gold in bars fluctuating from 4*l.* 9*s.* to 4*l.* 12*d.* per oz. The market price at 4*l.* 10*s.* is about 15½ per cent. above the Mint price.

Your Committee have found, that during the three first months of the present year, the price of standard gold in bars remained nearly at the same price as during last year ; viz., from 4*l.* 10*s.* to 4*l.* 12*s.* per oz. In the course of the months of March and April, the price of standard gold is quoted but once in Wettenhall's tables ; viz., on the 6th of April last, at 4*l.* 6*s.* which is rather more than 10 per cent. above the Mint price. The last quotations of the price of gold, which have been given in those tables, are upon the 18th and 22d of May, when Portugal gold in coin is quoted at 4*l.* 11*s.* per oz. : Portugal gold coin is about the same fineness as our standard. It is stated in the same tables, that in the month of March last, the price of new doubloons rose from 4*l.* 7*s.* to 4*l.* 9*s.* per oz. Spanish gold is from 4½ to 4¾ grains better than standard, making about 4*s.* per oz. difference in value.

It appears by the evidence, that the price of foreign gold coin is generally higher than that of bar gold, on account of the former finding a more ready vent in foreign markets. The difference between Spanish and Portugal gold in coin and gold in bars, has of late been about 2*s.* per ounce. Your Committee have also to state, that there is said to be at present a difference of between 3*s.* and 4*s.* per ounce between the price of bar gold which may be sworn off for exportation as being foreign gold, and the price of such bar gold as the dealer will not venture to swear off : while the former was about 4*l.* 10*s.* in the market, the latter is said to have been about 4*l.* 6*s.* On account of these extrinsic differences, occasioned either by the expense of coinage, or by the obstructions of law, the price of standard gold in bars, such as may be exported, is that which it is most material to keep generally in view through the present inquiry.

It appeared to your Committee, that it might be of use, in judging of the cause of this high price of gold bullion, to be informed also of the prices of silver during the same period. The price of standard silver in his Majesty's Mint is 5*s.* 2*d.* per ounce ; at this standard price, the value of a Spanish dollar is 4*s.* 4*d.* or, which comes to the same thing, Spanish dollars are, at that standard price, worth 4*s.* 11½*d.* per ounce. It is stated in Wettenhall's tables that throughout the year 1809, the price of new dollars fluctuated from 5*s.* 5*d.* to 5*s.* 7*d.* per ounce, or from 10 to 13 per cent. above the Mint price of standard silver. In the course of the last month, new dollars have been quoted as high as 5*s.* 8*d.* per ounce, or more than 15 per cent. above the Mint price.

Your Committee have likewise found, that towards the end of the year 1808, the Exchanges with the continent became very unfavorable to this country, and continued still more unfavorable through the whole of 1809, and the three first months of the present year.

Hamburgh, Amsterdam and Paris, are the principal places with which the Exchanges are established at present. During the last six months of 1809, and the first three months of the present year, the Exchanges on Hamburgh and Amsterdam were depressed as low as from 16 to 20 per cent. below par ; and that on Paris still lower. The exchanges with Portugal have corresponded with the others ; but they are complicated by some circumstances which shall be explained separately.

Your Committee find, that in the course of the month of March last, that is, from the 2d of March to the 3d of April, the exchanges with the three places above mentioned

received a gradual improvement. The exchange with Hamburgh rose gradually from 29. 4. to 31. ; that with Amsterdam from 31. 8. to 33. 5. ; that with Paris from 19. 16. to 21. 11. Since the 3d April last to the present time, they have remained nearly stationary at those rates, the exchange with Hamburgh, as stated in the tables printed for the use of the merchants, appearing as much against this country as 9*l.* per cent. below par ; that with Amsterdam appearing to be more than 7*l.* per cent. below par ; and that with Paris more than 14*l.* per cent. below par.

So extraordinary a rise in the market price of gold in this country, coupled with so remarkable a depression of our exchanges with the continent, very early, in the judgment of your Committee, pointed to something in the state of our own domestic currency as the cause of both appearances. But before they adopted that conclusion, which seemed agreeable to all former reasonings and experiences, they thought it proper to enquire more particularly into the circumstances connected with each of those two facts ; and to hear, from persons of commercial practice and detail, what explanations they had to offer of so unusual a state of things.

With this view, your Committee called before them several merchants of extensive dealings and intelligence, and desired to have their opinions, with respect to the cause of the high price of gold and the low rates of exchange.

I.

ALLEGED SCARCITY OF GOLD.

It will be found by the evidence, that the high price of gold is ascribed, by most of the witnesses, entirely to an alleged scarcity of that article, arising out of an unusual demand for it upon the continent of Europe. This unusual demand for gold upon the continent is described by some of them as being chiefly for the use of the French armies, though increased also by that state of alarm, and failure of confidence, which leads to the practice of hoarding.

Your Committee are of opinion, that, in the sound and natural state of the British currency, the foundation of which is gold, no increased demand for gold from other parts of the world, however great, or from whatever causes arising, can have the effect of producing here, for a considerable period of time, a material rise in the market price of gold. But before they proceed to explain the grounds of that general opinion, they wish to state some other reasons which alone would have led them to doubt whether in point of fact, such a demand for gold, as is alleged, has operated in the manner supposed.

PRICE OF GOLD IN CONTINENTAL MARKETS.

If there were an unusual demand for gold upon the continent, such as could influence its market price in this country, it would of course influence also, and indeed in the first instance, its price in the continental markets ; and it was to be expected that those who ascribed the high price here to a great demand abroad, would have been prepared to state that there was a corresponding high price abroad. Your Committee did not find that they grounded their inference upon any such information ; and so far as your Committee have been enabled to ascertain, it does not appear that during the period when the price of gold bullion was rising here, as valued in our paper, there was any corresponding rise in the price of gold bullion in the markets of the continent, as valued in their respective currencies. Mr. Whitmore, indeed, the late governor of the bank, stated, that in his opinion it was the high price abroad which had carried our gold coin out of this country ; but he did not offer to your Committee any proof of this high price. Mr. Greffulhe, a continental merchant, who appeared to be remarkably well informed in the details of trade, being asked by the Committee, if he could state whether any change had taken place in the price of gold in any of the foreign markets within the last year, answered, "No very material change that I am aware of." Upon a subsequent day, having had time to refer to the actual prices, he again stated to the Committee, "I beg leave to observe, that there has been no alteration of late in the Mint price of gold in foreign places, nor have the market prices experienced an advance at all relative to the rise that has taken place in England ; one of the papers I have delivered shews the foreign prices reduced into sterling money at the present low rates of exchange, and the excess above our market price may be considered as about equal to the charges of conveyance." The papers he refers to will be found in the Appendix ; and this statement made by Mr. Greffulhe throws great light upon this part of the subject ; as it shews, that the actual prices of gold in the foreign markets are just so much lower than its market price here, as the difference of exchange amounts to. Mr. Greffulhe's paper is confirmed by another, which has been laid before your Committee. Mr. Abraham

Goldsmid has also stated to your Committee, that during that part of last year when the market price of gold here rose so high, its price at Hamburgh did not fluctuate more than from 3 to 4 per cent.

Here your Committee must observe, that both at Hamburg and Amsterdam, where the measure of value is not gold as in this country, but silver, an unusual demand for gold would affect its money price, that is, its price in silver; and that as it does not appear that there has been any considerable rise in the price of gold, as valued in silver, at those places in the last year, the inference is, that there was not any considerable increase in the demand for gold. That permanent rise in the market price of gold above its Mint price, which appears by Mr. Greffulhe's paper to have taken place for several years both at Hamburg and Amsterdam, may in some degree be ascribed, as your Committee conceive, to an alteration which has taken place in the relative value of the two precious metals all over the world; concerning which, much curious and satisfactory evidence will be found in the Appendix, particularly in the documents laid before your Committee by Mr. Allen. From the same cause, a fall in the relative price of silver appears to have taken place in this country for some time before the increase of our paper currency began to operate. Silver having fallen in relative value to gold throughout the world, gold has appeared to rise in price in those markets where silver is the fixed measure, and silver has appeared to fall in those where gold is the fixed measure.

PRICE OF GOLD IN ENGLAND.

With respect to the alleged demand for gold upon the continent for the supply of the French armies, your Committee must further observe, that, if the wants of the military chest have been latterly much increased the general supply of Europe with gold has been augmented by all that quantity which this great commercial country has spared in consequence of the substitution of another medium of circulation. And your Committee cannot omit remarking, that though the circumstances which might occasion such an increased demand may recently have existed in greater force than at former periods, yet in the former wars and convulsions of the continent, they must have existed in such a degree as to produce some effect. Sir Francis Baring has very justly referred to the seven years' war and to the American war, and remarks, that no want of bullion was then felt in this country. And upon referring for a course of years to the tables which are published for the use of the merchants, such as Lloyd's lists and Wettenhall's Course of Exchange, your Committee have found that from the middle of the year 1773, when the reformation of the gold coin took place, till about the middle of the year 1799, two years after the suspension of the cash payments of the Bank, the market-price of standard gold in bars remained steadily uniform at the price of 3*l.* 17*s.* 6*d.* [being, with the small allowance for loss by detention at the Mint, equal to the Mint price of 3*l.* 17*s.* 10½*d.*] with the exception of one year, from May, 1783, to May, 1784, when it was occasionally 3*l.* 18*s.* During the same period, it is to be noticed, the price of Portugal gold coin was occasionally as high as 4*l.* 2*s.*; and your Committee also observe, that it was stated to the Lord's Committee in 1797 by Mr. Abraham Newland, that the bank had been frequently obliged to buy gold higher than the Mint price, and upon one particular occasion gave as much for a small quantity, which their agent procured from Portugal, as 4*l.* 8*s.* But your Committee find, that the price of standard gold in bars was never for any length of time materially above the Mint price, during the whole period of 24 years which elapsed from the reformation of the gold coin to the suspension of the cash payments of the bank. The two most remarkable periods prior to the present, when the market price of gold in this country has exceeded our Mint price, were in the reign of King William, when the silver coin was very much worn below its standard, and in the early part of his present Majesty's reign, when the gold coin was very much worn below its standard. In both those periods, the excess of the market price of gold above its Mint price was found to be owing to the bad state of the currency; and in both instances, the reformation of the currency effectually lowered the market price of gold to the level of the Mint price. During the whole of the years 1796 and 1797, in which there was such a scarcity of gold, occasioned by the great demands of the country bankers in order to increase their deposits, the market price of gold never rose above the Mint price.

Your Committee have still further to remark upon this point, that the evidence laid before them has led them to entertain much doubt of the alleged fact, that a scarcity of gold bullion has been recently experienced in this country. That guineas have disappeared from the circulation, there can be no question; but that does not prove a scarcity of bullion, any more than the high price proves that scarcity. If gold is rendered dear by any other cause than scarcity, those who cannot purchase it without paying the high price, will be very apt to conclude that it is scarce. A very extensive home dealer who was examined, and who spoke very much of the scarcity of gold, acknowledged that he found no difficulty in getting any quantity he wanted, if he was willing to pay the price for it. And it appears to your Committee, that, though in the course of the last year there have been large exportations of gold to the continent, there

have been also very considerable importations of it into this country from South America, chiefly through the West Indies. The changes which have affected Spain and Portugal, combined with our maritime and commercial advantages, would seem to have rendered this country a channel through which the produce of the mines of New Spain and the Brazils pass to the rest of the world. In such a situation, the imports of bullion and coin give us the opportunity of first supplying ourselves; and must render this the last of the great markets in which a scarcity of that article will be felt. This is remarkably illustrated by the fact, that Portugal gold coin is now sent regularly from this country to the cotton settlements in the Brazils, Pernambuco, and Maranhão, while dollars are remitted in considerable quantities to this country from Rio Janeiro.

It is important also to observe, that the rise in the market price of silver in this country, which has nearly corresponded to that of the market price of gold, cannot in any degree be ascribed to a scarcity of silver. The importations of silver have of late years been unusually large, while the usual drain for India and China has been stopped.

For all these reasons, your Committee would be inclined to think, that those who ascribe the high price of gold to an unusual demand for that article, and a consequent scarcity, assume facts as certain of which there is no evidence. But even if these assumptions were proved, to ascribe the high price of gold in this country to its scarcity, seems to your Committee to involve a misconception, which they think it important to explain.

In this country, gold is itself the measure of all exchangeable value, the scale to which all money prices are referred. It is so, not only by the usage and commercial habits of the country, but likewise by operation of law, ever since the act of the 14th of his present Majesty [finally rendered perpetual by an act of the 39th year of the reign] disallowed a legal tender in silver coin beyond the sum of 25*l*. Gold being thus our measure of prices, a commodity is said to be dear or cheap according as more or less gold is given in exchange for a given quantity of that commodity; but a given quantity of gold itself will never be exchanged for a greater or a less quantity of gold of the same standard fineness. At particular times it may be convenient in exchange for gold in a particular coin, to give more than an equal quantity of other gold; but this difference can never exceed a certain small limit; and thus it has happened that the bank, while liable to pay its notes in specie, has under particular emergencies been put to the necessity of purchasing gold at a loss, in order to keep up or to repair its stock. But generally speaking, the price of gold, being itself measured and expressed in gold, cannot be raised or lowered by an increased or diminished demand for it. An ounce of gold will exchange for neither more nor less than an ounce of gold of the same fineness, except so far as an allowance is to be made, if the one ounce is coined or otherwise manufactured and the other is not, for the expence of that coinage or manufacture. An ounce of standard gold bullion will not fetch more in our market than 3*l*. 17*s*. 10½*d*., unless 3*l*. 17*s*. 10¼*d*., in our actual currency is equivalent to less than an ounce of gold. An increase or diminution in the demand for gold, or what comes to the same thing, a diminution or increase in the general supply of gold, will, no doubt, have a material effect upon the money prices of all other articles. An increased demand for gold, and a consequent scarcity of that article, will make it more valuable in proportion to all other articles; the same quantity of gold will purchase a greater quantity of any other article than it did before: in other words, the real price of gold, or the quantity of commodities given in exchange for it, will rise, and the money prices of all commodities will fall; the money price of gold itself will remain unaltered, but the price of all other commodities will fall. That this is not the present state of things is abundantly manifest; the prices of all commodities have risen, and gold appears to have risen in its price only in common with them. If this common effect is to be ascribed to one and the same cause, that cause can only be found in the state of the currency of this country.

PRICE OF BULLION COMPARED WITH COIN.

Your Committee think it proper to state still more specifically, what appear to them to be the principles which govern the relative prices of gold in bullion and gold in coin, as well as of paper circulating in its place and exchangeable for it. They cannot introduce this subject more properly, than by adverting to those simple principles and regulations, on which a coinage issuing from the King's mint is founded.

The object is to secure to the people a standard of a determinate value, by affixing a stamp, under the royal authority, to pieces of gold, which are thus certified to be of a given weight and fineness. Gold in bullion is the standard to which the Legislature has intended that the coin should be conformed, and with which it should be identified as much as possible. And if that intention of the legislature were completely fulfilled, the coined gold would bear precisely the same price in exchange for all other commodities as it would have borne had it continued in the shape of bullion; but it is subject to some small fluctuations.

First, there is some expense incurred in converting bullion into coin. They who send bullion to be coined, and it is allowed to any one to send it, though they are charged with no seignorage, incur a loss of interest by the detention of their gold in the mint. This loss may hitherto have amounted to about 1*l*. per cent., but it is to be presumed that the improvements of the system of the new Mint will cause the detention and consequent loss to be much smaller. This 1*l*. per cent. has formed the limit, or nearly the limit, to the possible rise of the value of coin above that of bullion; for to suppose that coin could, through any cause, advance much above this limit, would be to assume that there was a high profit on a transaction, in which there is no risk, and every one has an opportunity of engaging.

The two following circumstances conjoined account for the depression of the coin below the price of bullion, and will show what must have been the limit to its extent before 1797, the period of the suspension of the cash payments of the Bank of England. First, the coin, after it had become current, was gradually diminished in weight by use, and therefore, if melted, would produce a less quantity of bullion. The average diminution of weight of the present current gold coin below that of the same coin when fresh from the mint appears by the evidence to be nearly 1*l*. per cent. This evil, in more ancient times, was occasionally very great. It was particularly felt in an early period of his present Majesty's reign, and led to the reformation of the gold coin in 1773. But it is now carefully guarded against, not only by the legal punishment of every wilful deterioration of the gold coin, but also by the regulation of the statute, that guineas, of which the full weight when fresh from the mint is 5 dwts. 9 $\frac{3}{8}$ grains, shall not be a legal tender if worn below 5 dwts. 8 grs.; the depreciation thus allowed being at the utmost 1. 11 per cent. A still more material cause of depression is the difficulty under which the holders of coin have been placed when they wished to convert it into bullion. The law of this country forbids any other gold coin than that which has become light to be put into the melting pot, and, with a very questionable policy, prohibits the exportation of our gold coin, and of any gold, unless an oath is taken that it has not been produced from the coin of this realm. It appears by the evidence that the difference between the value of gold bullion which may be sworn off for exportation and that of the gold produced or supposed to be produced from our own coin, which, by law, is convertible only to domestic purposes, amounts at present to between 3*s*. and 4*s*. per ounce.

The two circumstances which have now been mentioned have unquestionably constituted, in the judgment of your Committee, the whole cause of that depression of the value of the gold coin of this country in exchange for commodities, below the value of bullion in exchange for commodities, which has occasionally arisen or could arise at those times when the Bank paid in specie, and gold was consequently obtainable in the quantity that was desired; and the limit fixed by those two circumstances conjoined, to this excess of the market price of gold above the Mint price, was therefore a limit of about 5 $\frac{1}{2}$ per cent. The chief part of this depression is to be ascribed to that ancient but doubtful policy of this country, which, by attempting to confine the coin within the kingdom, has served, in the same manner as permanent restrictions on the export of other articles, to place it under a disadvantage, and to give to it a less value in the market than the same article would have if subject to no such prohibition.

HAMBURGH CURRENCY METHODS.

The truth of these observations on the causes and limits of the ordinary difference between the market and Mint price of gold, may be illustrated by a reference to the mode, explained in the evidence, of securing a fixed standard of value for the great commercial payments of Hamburgh. The payments in the ordinary transactions of life are made in a currency composed of the coins of the several surrounding states; but silver is the standard there resorted to in the great commercial payments, as gold is in England. No difference analogous to that which occurs in this country, between the Mint and market price of gold, can ever arise at Hamburgh with regard to silver, because provision is made that none of the three causes above specified [the expense of coinage, the depreciation by wear, or the obstruction to exportation], shall have any operation. The large payments of Hamburgh are effected in Bank money, which consists of actual silver of a given fineness, lodged in the Hamburgh bank by the merchants of the place, who thereupon have a proportionate credit in the bank-books, which they transfer according to their occasions. The silver being assayed and weighed with scarcely any loss of time, the first mentioned cause of fluctuation in the relative value of the current medium compared with bullion is avoided. Certain masses of it being then certified (without any stamp being affixed on the metal) to be of a given quantity and fineness, the value is transferred from individual to individual by the medium merely of the bank-books, and thus the wearing of the coin being prevented, one cause of depreciation is removed. A free right is also given to withdraw, melt and export it; and thus the other and principal source of the occasional fall of the value of the current medium of pay-

ment, below that of the bullion which it is intended to represent, is also effectually precluded.

In this manner at *Hamburgh* silver is not only the measure of all exchangeable value, but it is rendered an invariable measure, except in so far as the relative value of silver itself varies with the varying supply of that precious metal from the mines. In the same manner the usage, and at last the law, which made gold coin the usual and at last the only legal tender in large payments here, rendered that metal our measure of value; and from the period of the reformation of the gold coin down to the suspension of the Bank payments in specie in 1797, gold coin was not a very variable measure of value; being subject only to that variation in the relative value of gold bullion which depends upon its supply from the mines, together with that limited variation, which, as above described, might take place between the market and the Mint price of gold coin.

The highest amount of the depression of the coin which can take place when the Bank pays in gold has just been stated to be about $5\frac{1}{2}$ per cent., and accordingly it will be found that in all the periods preceeding 1797, the difference between what is called the Mint price and market price of gold never exceeded that limit.

Since the suspension of cash payments in 1797, however, it is certain that, even if gold is still our measure of value and standard of prices, it has been exposed to a new cause of variation, from the possible excess of that paper which is not convertible into gold at will; and the limit of this new variation is as indefinite as the excess to which that paper may be issued. It may indeed be doubted whether, since the new system of Bank of England payments has been fully established, gold has in truth continued to be our measure of value; and whether we have any other standard prices than that circulating medium issued primarily by the Bank of England and in a secondary manner by the country banks, the variations of which in relative value may be as indefinite as the possible excess of that circulating medium. But whether our present measure of value, and standard of prices, be this paper currency thus variable in its relative value, or continues still to be gold, but gold rendered more variable than it was before in consequence of being interchangeable for a paper currency, which is not at will convertible into gold, it is, in either case, most desirable for the public that our circulating medium should again be conformed, as speedily as circumstances will permit, to its real and legal standard, gold bullion.

If the gold coin of the country were at any time to become very much worn and lessened in weight, or if it should suffer a debasement of its standard, it is evident that there would be a proportionable rise of the market price of gold bullion above its Mint price; for the Mint price is the sum in coin, which is equivalent in intrinsic value to a given quantity, an ounce, for example, of the metal in bullion; and if the intrinsic value of that sum of coin be lessened, it is equivalent to a less quantity of bullion than before. The same rise of the market price of gold above its Mint price will take place, if the local currency of this particular country, being no longer convertible into gold, should at any time be issued to excess. That excess cannot be exported to other countries, and, not being convertible into specie, it is not necessarily returned upon those who issued it; it remains in the channel of circulation, and is gradually absorbed by increasing the prices of all commodities. An increase in the quantity of the local currency of a particular country will raise prices in that country exactly in the same manner as an increase in the general supply of precious metals raises prices all over the world. By means of the increase of quantity, the value of a given portion of that circulating medium, in exchange for other commodities, is lowered; in other words, the money prices of all other commodities are raised, and that of bullion with the rest. In this manner an excess of the local currency of a particular country will occasion a rise of the market price of gold above its Mint price. It is no less evident that in the event of the prices of commodities being raised in one country by an augmentation of its circulating medium, while no similar augmentation in the circulating medium of a neighboring country has led to a similar rise of prices, the currencies of those two countries will no longer continue to bear the same relative value to each other as before. The intrinsic value of a given portion of the one currency being lessened, while that of the other remains unaltered, the exchange will be computed between those two countries to the disadvantage of the former.

In this manner, a general rise of all prices, a rise in the market price of gold, and a fall of the foreign exchanges, will be the effect of an excessive quantity of circulating medium in a country which has adopted a currency not exportable to other countries, or not convertible at will into a coin which is exportable.

II.

STATE OF FOREIGN EXCHANGES.

Your Committee are thus led to the next head of their inquiry: the present state of the exchanges between this country and the continent. And here, as under the former

head, your Committee will first state the opinions which they have received from practical men, respecting the causes of the present state of the exchange.

Mr. Greffulhe, a general merchant, trading chiefly to the continent, ascribed the fall of exchange between London and Hamburg, near 18 per cent. below par, in the year 1809, "altogether to the commercial situation of this country with the continent; to the circumstance of the imports, and payments of subsidies, &c., having very much exceeded the exports." He stated, however, that he formed his judgment of the balance of trade in a great measure from the state of the exchange itself, though it was corroborated by what fell under his observation. He insisted particularly on the large imports from the Baltic, and the wines and brandies brought from France, in return for which no merchandise had been exported from this country. He observed on the other hand, that the export of colonial produce to the continent had increased in the last year compared with former years; and that during the last year there was an excess, to a considerable amount, of the exports of colonial produce and British manufactures to Holland above the imports from thence, but not nearly equal, he thought, to the excess of imports from other parts of the world, judging from the state of the exchange as well as from what fell generally under his observation. He afterwards explained, that it was not strictly the balance of trade, but the balance of payments, being unfavorable to this country, which he assigned as the principal cause of the rate of exchange; observing also, that the balance of payments for the year may be against us, while the general exports exceed the imports. He gave it as his opinion that the cause of the present state of exchange was entirely commercial, with the addition of the foreign expenditure of government; and that an excess of imports above exports would account for the rates of exchange continuing so high as 16 per cent. against this country, for a permanent period of time.

It will be found in the evidence, that several other witnesses agree in substance with Mr. Greffulhe, in this explanation of the unfavorable state of the exchange; particularly Mr. Chambers and Mr. Coningham.

Sir Francis Baring stated to the Committee, that he considered the two great circumstances which affect the exchange in its present unfavorable state, to be the restrictions upon trade with the continent, and the increased circulation of this country in paper, as productive of the scarcity of bullion. And he instanced, as examples of a contrary state of things, the seven years' war, and the American war, in which there were the same remittances to make to the continent for naval and military expenditure, yet no want of bullion ever was felt.

The Committee likewise examined a very eminent continental merchant, whose evidence will be found to contain a variety of valuable information. That gentleman states, that the exchange cannot fall in any country in Europe at the present time, if computed in coin of a definitive value, or in something convertible into such coin, lower than the extent of the charge of transporting it, together with an adequate profit in proportion to the risk attending such transmission. He conceives, that such fall of our exchange as has exceeded that extent in the last 15 months, must certainly be referred to the circumstance of our paper currency not being convertible into specie; and that if that paper had been so convertible, and guineas had been in general circulation, an unfavorable balance of trade, could hardly have caused so great a fall in the exchange as to the extent of 5 or 6 per cent. He explains his opinion upon the subject more specifically in the following answers, which are extracted from different parts of his evidence.

"To what causes do you ascribe the present unfavorable course of exchange?—The first great depreciation took place when the French got possession of the north of Germany, and passed severe penal decrees against a communication with this country; at the same time that a sequestration was laid upon all English goods and property, whilst the payments for English account were still to be made, and the reimbursements to be taken on this country; many more bills were in consequence to be sold than could be taken by persons requiring to make payments in England. The communication by letters being also very difficult and uncertain, middle men were not to be found, as in usual times, to purchase and send such bills to England for returns; whilst no suit at law could be instituted in the courts of justice there against any person who chose to resist payment of a returned bill, or to dispute the charges of re-exchange. Whilst those causes depressed the exchange, payments due to England only came round at distant periods; the exchange once lowered by those circumstances, and bullion being withheld in England to make up those occasional differences, the operations between this country and the continent have continued at a low rate, as it is only matter of opinion what rate a pound sterling is there to be valued at, not being able to obtain what it is meant to represent."

"The exchange against England fluctuating from 15 to 20 per cent., how much of that loss may be ascribed to the effect of the measures taken by the enemy in the north of Germany, and the interruption of intercourse which has been the result, and how much to the effect of the Bank of England paper not being convertible into cash, to which you have ascribed a part of that depreciation?—I ascribe the whole of the depreciation to have taken place originally in consequence of the measures of the

enemy, and its not having recovered to the circumstance of the paper of England not being exchangeable for cash."

"Since the conduct of the enemy which you have described, what other causes have continued to operate on the continent to lower the course of exchange?—Very considerable shipments from the Baltic, which were drawn for and the bills negotiated immediately on the shipments taking place, without consulting the interest of the proprietors in this country much, by deferring such a negotiation till a demand should take place for such bills: The continued difficulty and uncertainty in carrying on the correspondence between this country and the continent: The curtailed number of houses to be found on the continent willing to undertake such operations, either by accepting bills for English account drawn from the various parts where shipments take place, or by accepting bills drawn from this country, either against property shipped, or on a speculative idea that the exchange either ought or is likely to rise: The length of time that is required before goods can be converted into cash, from the circuitous routes they are obliged to take: The very large sums of money paid to foreign ship owners, which in some instances, such as on the article of hemp, has amounted to nearly its prime cost in Russia: The want of middle men who as formerly used to employ great capitals in exchange operations, who, from the increased difficulties and dangers to which such operations are now subject, are at present rarely to be met with, to make combined exchange operations, which tend to anticipate probable ultimate results."

The preceding answers, and the rest of this gentleman's evidence, all involve this principle, expressed more or less distinctly, that bullion is the true regulator both of the value of a local currency and of the rate of foreign exchanges; and that the free convertibility of paper currency into the precious metals, and the free exportation of those metals, place a limit to the fall of exchange, and not only check the exchanges from falling below that limit, but recover them by restoring the balance.

PAR OF EXCHANGE

Your Committee need not particularly point out in what respects these opinions received from persons of practical detail, are vague and unsatisfactory, and in what respects they are contradictory of one another; considerable assistance, however, may be derived from the information which the evidence of these persons affords, in explaining the true causes of the present state of the exchanges.

Your Committee conceive that there is no point of trade, considered politically, which is better settled, than the subject of foreign exchanges. The par of exchange between two countries is that sum of the currency of either of the two, which in point of intrinsic value, is precisely equal to a given sum of the currency of the other; that is, contains precisely an equal weight of gold or silver of the same fineness. If 25 livres of France contained precisely an equal quantity of pure silver with 20s. sterling, 25 would be said to be the par of exchange between London and Paris. If one country uses gold for its principal measure of value, and another uses silver, the par between those countries cannot be estimated for any particular period, without taking into account the relative value of gold and silver at that particular period; and as the relative value of the two precious metals is subject to fluctuation, the par of exchange between two such countries is not strictly a fixed point, but fluctuates within certain limits. An illustration of this will be found in the evidence, in the calculation of the par between London and Hamburgh, which is estimated to be 34/ 3½ Flemish shillings for a pound sterling. That rate of exchange, which is produced at any particular period by a balance of trade or payments between the two countries, and by a consequent disproportion between the supply and the demand of bills drawn by the one upon the other, is a departure on one side or the other from the real and fixed par. But this real par will be altered if any change takes place in the currency of one of the two countries, whether that change consists in the wear or debasement of a metallic currency below its standard, or in the discredit of a forced paper currency, or in the excess of a paper currency, not convertible into specie; a fall having taken place in the intrinsic value of a given portion of one currency, that portion will no longer be equal to the same portion, as before, of the other currency. But though the real par of the currencies is thus altered, the dealers, having little or no occasion to refer to the par, continue to reckon their course of exchanges from the former denomination of the par; and in this state of things a distinction is necessary to be made between the real and computed course of exchange. The computed course of exchange as expressed in the tables used by the merchants, will then include, not only the real difference of exchange arising from the state of trade, but likewise the difference between the original par and the new par. Those two sums may happen to be added together in the calculation, or they may happen to be set against each other. If the country, whose currency has been depreciated in comparison with the other, has the balance of trade also against it, the computed rate of exchange will appear to be still more unfavorable than the real difference of exchange will be found to be; and so if that same country has the balance of trade in its favor, the computed rate of ex-

change will appear to be much less favorable than the real difference of exchange will be found to be. Before the new coinage of our silver in King William's time, the exchange between England and Holland, computed in the usual manner according to the standard of their respective Mints, was 25 per cent. against England ; but the value of the current coin of England was more than 25 per cent. below the standard value ; so that if that of Holland was at its full standard, the real exchange was in fact in favor of England. It may happen in the same manner, that the two parts of the calculation may be both opposite and equal, the real exchange in favor of the country by trade being equal to the nominal exchange against it by the state of its currency ; in that case, the computed exchange will be at par, while the real exchange is in fact in favor of that country. Again, the currencies of both the countries which trade together may have undergone an alteration, and that either in an equal degree, or unequally ; in such a case, the question of the real state of the exchange between them becomes a little more complicated, but it is to be resolved exactly upon the same principle. Without going out of the bounds of the present inquiry, this may be well illustrated by the present state of the exchange of London with Portugal, as quoted in the tables of the 18th of May last. The exchange of London on Lisbon appears to be $67\frac{1}{2}$; $67\frac{1}{2}d.$ sterling for a milree is the old established par of exchange between the two countries ; and $67\frac{1}{2}$ accordingly is still said to be the par. But by the evidence of Mr. Lynde, it appears, that, in Portugal, all payments are now by law made one-half in hard money, and one-half in government paper ; and that this paper is depreciated at a discount of 27 per cent. Upon all payments made in Portugal, therefore, there is a discount or loss of $13\frac{1}{2}$ per cent. and the exchange at $67\frac{1}{2}$, though nominally at par, is in truth, $13\frac{1}{2}$ per cent. against this country. If the exchange were really at par, it would be quoted at 56 65-100 or apparently $13\frac{1}{2}$ per cent. in favor of London, as compared with the old par which was fixed before the depreciation of the Portuguese medium of payments. Whether this $13\frac{1}{2}$ per cent. which stands against this country by the present exchange on Lisbon, is a real difference of exchange, occasioned by the course of trade and by the remittances to Portugal on account of government, or a nominal and apparent exchange occasioned by something in the state of our own currency, or is partly real and partly nominal, may perhaps be determined by what your Committee have yet to state.

It appears to your Committee to have been long settled and understood as a principle that the difference of exchange resulting from the state of trade and payments between two countries is limited by the expense of conveying and insuring the precious metals from one country to the other ; at least, that it cannot for any considerable length of time exceed that limit. The real difference of exchange, resulting from the state of trade, and payments never can fall lower than the amount of such expense of carriage, including the insurance. The truth of this position is so plain, and it is so uniformly agreed to by all the practical authorities, both commercial and political, that your Committee will assume it as indisputable.

It occurred, however, to your Committee that the amount of that charge and premium of insurance might be increased above what it has been in ordinary periods even of war, by the peculiar circumstances which at present obstruct the commercial intercourse between this country and the continent of Europe ; and that as such an increase would place so much lower than usual the limit to which our exchanges might fall, an explanation might thereby be furnished of their present unusual fall. Your Committee accordingly directed their enquiries to this point.

COST OF TRANSPORTING GOLD.

It was stated to your Committee, by the merchant who has been already mentioned as being intimately acquainted with the trade between this country and the Continent, that the present expense of transporting gold from London to Hamburgh, independent of the premium of insurance, is from $1\frac{1}{2}$ to 2 per cent. ; that the risk is very variable from day to day, so that there is no fixed premium, but he conceived the average risk, for the fifteen months preceding the time when he spoke, to have been about 4 per cent., making the whole cost of sending gold from London to Hamburgh for those fifteen months at such average of the risk, from $5\frac{1}{2}$ to 6 per cent.—Mr. Abraham Goldsmid stated, that in the last five or six months of the year 1809, the expense of sending gold to Holland varied exceedingly, from 4 to 7 per cent. for all charges, covering the risk as well as the costs of transportation. By the evidence which was taken before the Committee upon Bank Affairs, in 1797, it appears that the cost of sending specie from London to Hamburgh in that time of war, including all charges as well as an average of insurance, was estimated at a little more than $3\frac{1}{2}$ per cent. It is clear, therefore, that in consequence of the peculiar circumstances of the present state of the war, and the increased difficulties of intercourse with the Continent, the cost of transporting the precious metals thither from this country has not only been rendered more fluctuating than it used to be, but, upon the whole, is very considerably increased. It would appear, however, that upon an average of the risk for that period when it seems to

have been highest, the last half of the last year, the cost and insurance of transporting gold to Hamburgh or to Holland did not exceed 7 per cent. It was of course greater at particular times, when the risk was above that average. It is evident also that the risk, and consequently the whole cost of transporting it to an inland market, to Paris, for example, would upon an average, be higher than that of carrying it to Amsterdam or Hamburgh. It follows that the limit to which the exchanges, as resulting from the state of trade, might fall and continue unfavorable for a considerable length of time, has, during the period in question, been a good deal lower than in former times of war ; but it appears also, that the expense of remitting specie has not been increased so much, and that the limit by which the depression of the exchanges is bounded has not been lowered so much, as to afford an adequate explanation of a fall of the exchanges so great as from 16 to 20 per cent. below par. The increased cost of such remittance would explain, at those moments when the risk was greatest, a fall of something more than 7 per cent. in the exchange with Hamburgh or Holland, and a fall still greater perhaps in the exchange with Paris ; but the rest of the fall which has actually taken place, remains to be explained in some other manner.

Your Committee are disposed to think from the result of the whole evidence, contradictory as it is, that the circumstances of the trade of this country, in the course of the last year, were such as to occasion a real fall of our exchanges with the Continent to a certain extent, and perhaps at one period almost as low as the limit fixed by the expense of remitting gold from hence to the respective markets. And your Committee is inclined to this opinion, both by what is stated regarding the excess of imports from the Continent above the exports, though that is the part of the subject which is left most in doubt ; and also by what is stated respecting the mode in which the payments in our trade have been latterly effected, an advance being paid upon the imports from the Continent of Europe, and a long credit being given upon the exports to other parts of the world.

IMPORTS AND EXPORTS.

Your Committee, observing how entirely the present depression of our exchange with Europe is referred by many persons to a great excess of our imports above our exports, have called for an account of the actual value of those for the last five years ; and Mr. Irving, the Inspector-General of Customs, has accordingly furnished the most accurate estimate of both that he has been enabled to form. He has also endeavored to forward the object of the Committee by calculating how much should be deducted from the value of goods imported, on account of articles in return for which nothing is exported. These deductions consist of the produce of fisheries, and of imports from the East and West Indies, which are of the nature of rents, profits, and capital remitted to proprietors in this country. The balance of trade in favor of this country, upon the face of the account thus made up, was :

In 1805 about.....	£ 6,616,000
“ 1806 “	10,437,000
“ 1807 “	5,866,000
“ 1808 “	12,481,000
“ 1809 “	14,834,000

So far, therefore, as any inference is to be drawn from the balance thus exhibited, the exchanges during the present year, in which many payments to this country on account of the very advantageous balances of the two former years may be expected to take place, ought to be peculiarly favorable.

Your Committee, however, place little confidence in deductions made even from the improved document which the industry and intelligence of the Inspector-General has enabled him to furnish. It is defective, as Mr. Irving has himself stated, inasmuch as it supplies no account of the sum drawn by foreigners (which is at the present period peculiarly large), on account of freight due to them for the employment of their shipping, nor, on the other hand, of the sum receivable from them (and forming an addition to the value of our exported articles), on account of freight arising from the employment of British shipping. It leaves out of consideration all interest on capital in England possessed by foreigners, and on capital abroad belonging to inhabitants of Great Britain, as well as the pecuniary transactions between the governments of England and Ireland. It takes no cognizance of contraband trade, and of exported and imported bullion, of which no account is rendered at the Custom House. It likewise omits a most important article, the variations of which, if correctly stated, would probably be found to correspond in a great degree with the fluctuations of the apparently favorable balance; namely, the bills drawn on government for our naval, military, and other expenses in foreign parts. Your Committee had hoped to receive an account of these from the

table of the House; but there has been some difficulty and consequent delay in executing a material part of the order made for them. It appears from "An Account, as far as it could be made out, of sums paid for expenses abroad in 1793-4-5-6," inserted in the Appendix of the Lords' Report on the occasion of the Bank Restriction Bill, that the sums so paid were,

In 1793.....	£ 2,785,252
" 1794.....	8,335,591
" 1795.....	11 040,236
" 1796.....	10,649,916

The following is an account of the official value of our Imports and Exports with the Continent of Europe, alone, in each of the last five years :

	IMPORTS.	EXPORTS.	Balance in favor of Great Britain reckoned in Official Value.
1805	£10,008,649	£15,465,430	£ 5,456,781
1806	8,197,256	13,216,386	5,019,130
1807	7,973,510	12,689,590	4,716,080
1808	4,210,671	11,280,490	7,069,819
1809	9,551,857	23,722,615	14,170,758

The balances with Europe alone in favor of Great Britain, as exhibited in this imperfect statement, are not far from corresponding with the general and more accurate balances before given. The favorable balance of 1809 with Europe alone, if computed according to the actual value, would be much more considerable than the value of the same year, in the former general statement. A favorable balance of trade on the face of the account of exports and imports, presented annually to Parliament, is a very probable consequence of large drafts on Government for foreign expenditure; and augmentation of exports, and a diminution of imports, being promoted and even enforced by the means of such drafts. For, if the supply of bills drawn abroad, either by the agents of Government, or by individuals, is disproportionate to the demand, the price of them in foreign money falls, until it is so low as to invite purchasers; and the purchasers, who are generally foreigners, not wishing to transfer their property permanently to England, have a reference to the terms on which the bills on England will purchase those British commodities which are in demand, either in their own country, or in intermediate places, with which the account may be adjusted. Thus, the price of the bills being regulated in some degree by that of British commodities, and continuing to fall till it becomes so low as to be likely to afford profit on the purchase and exportation of these commodities, an actual exportation nearly proportionate to the amount of the bills drawn can scarcely fail to take place. It follows, that there cannot be, for any long period, either a highly favorable or unfavorable balance of trade; for the balance no sooner affects the price of bills, than the price of bills, by its re-action on the state of trade, promotes an equalization of commercial exports and imports. Your Committee have here considered cash and bullion as forming a part of the general mass of exported or imported articles, and as transferred according to the state both of the supply and the demand; forming, however, under certain circumstances, especially in case of great fluctuations in the general commerce, a peculiarly commodious remittance.

Your Committee have enlarged on the documents supplied by Mr. Irving, for the sake of throwing further light on the general question of the balance of trade and the exchanges, and of dissipating some very prevalent errors which have a great practical influence on the subject now under consideration.

ACTUAL STATE OF FOREIGN EXCHANGE.

That the real exchange against this country with the continent cannot, at any time, have materially exceeded the limit fixed by the cost at that time of transporting specie, your Committee are convinced upon the principles which have been already stated. That, in point of fact, those exchanges have not exceeded that limit seems to receive a very satisfactory illustration from one part of the evidence of Mr. Gressfulhe, who, of all the merchants examined, seemed most wedded to the opinion that the state of the balance payments alone was sufficient to account for any depression of the exchanges,

however great. From what the Committee have already stated with respect to the par of exchange, it is manifest that the exchange between two countries is at its real par, when a given quantity of gold or silver in the one country is convertible at the market price into such an amount of the currency of that country, as will purchase a bill of exchange on the other country for such an amount of the currency of that other country, as will there be convertible at the market price into an equal quantity of gold or silver of the same fineness. In the same manner, the real exchange is in favor of a country having money transactions with another, when a given quantity of gold or silver in the former is convertible for such an amount in the currency of that latter country, as will there be convertible into a greater quantity of gold or silver of the same fineness.

Upon these principles, your Committee desired Mr. Greffulhe to make certain calculations, which appear in his answers to the following questions, viz.:

"Supposing you had a pound weight troy of gold of the English standard at Paris, and that you wished by means of that to procure a bill of exchange upon London, what would be the amount of the bill of exchange which you would procure in the present circumstances?—I find that a pound of gold of the British standard at the present market price of 105 francs, and the exchange at 20 livres, would purchase a bill of exchange of 59*l.* 8*s.*

"At the present market price of gold in London, how much standard gold can you purchase for 59*l.* 8*s.*?—At the price of 4*l.* 12*s.* I find it will purchase 13 ounces of gold, with a very small fraction.

"Then what is the difference per cent. in the quantity of standard gold which is equivalent to 59*l.* 8*s.* of our currency as at Paris and in London?—About 8½ per cent.

"Suppose you have a pound weight troy of our standard gold at Hamburgh, and that you wished to part with it for a bill of exchange upon London, what would be the amount of the bill of exchange, which, in the present circumstances, you would procure?—At the Hamburgh price of 101, and the exchange at 29, the amount of the bill purchased on London would be 58*l.* 4*s.*

"What quantity of our standard gold, at the present price of 4*l.* 12*s.* do you purchase for 58*l.* 4*s.*?—About 12 ounces and 3 dwts.

"Then what is the difference per cent. between the quantity of standard gold at Hamburgh and in London, which is equivalent to 58*l.* 4*s.* sterling?—About 5½ per cent.

"Suppose you had a pound weight troy of our standard gold at Amsterdam, and wished to part with it for a bill of exchange upon London, what would be the amount sterling of the bill of exchange which you would procure?—At the Amsterdam price of 14½, exchange 31.6, and Bank agio 1 per cent., the amount of the bill on London would be 58*l.* 18*s.*

"At the present price of 4*l.* 12*s.* what quantity of our standard gold do you purchase in London for 58*l.* 18*s.* sterling?—12 oz. 16 dwts.

"How much is that per cent.?—7 per cent."

Similar calculations, but made upon different assumed data, will be found in the evidence of Mr. Abraham Goldsmid. From these answers of Mr. Greffulhe, it appears, that when the computed exchange with Hamburgh was 29, that is, from 16 to 17 per cent. below par, the real difference of exchange, resulting from the state of trade and balance of payments was no more than 5½ per cent. against this country, that when the computed exchange with Amsterdam was 31.6, that is about 15 per cent. below par, the real exchange was no more than 7 per cent. against this country; that when the computed exchange with Paris was 20, that is 20 per cent. below par, the real exchange was no more than 8½ per cent. against this country. After making these allowances, therefore, for the effect of the balance of trade and payments upon our exchanges with those places, there will still remain a fall of 11 per cent. in the exchange with Hamburgh, of above 8 per cent. in the exchange with Holland, and 11½ per cent. in the exchange with Paris, to be explained in some other manner.

If the same mode of calculation be applied to the more recent statements of the exchange with the continent, it will perhaps appear that, though the computed exchange is at present against this country, the real exchange is in its favor.

From the foregoing reasons relative to the state of the exchanges, if they are considered apart, your Committee find it difficult to resist an inference, that a portion at least of the great fall which the exchanges lately suffered must have resulted not from the state of trade, but from a change in the relative value of our domestic currency. But, when this deduction is joined with that which your Committee have stated, respecting the change in the market price of gold, that inference appears to be demonstrated.

III.

EFFECT OF BANK OF ENGLAND QUASI LEGAL TENDER ISSUES ON GOLD EXPORTS AND PAPER DEPRECIATION,

In consequence of the opinion which your Committee entertained, that, in the present

artificial condition of the circulating medium of this country, it is most important to watch the foreign exchanges and the market price of gold, your Committee were desirous to learn whether the Directors of the Bank of England held the same opinion, and derived from it a practical rule for the control of their circulation; and particularly whether, in the course of the last year, the great depression of the exchanges, and the great rise in the price of gold, had suggested to the Directors any suspicion of the currency of the country being excessive.

PRACTICE OF THE BANK.

Mr. Whitmore, the late Governor of the Bank, stated to the Committee, that in regulating the general amount of the loans and discounts, he did "not advert to the circumstance of the exchanges; it appearing upon a reference to the amount of our notes in circulation, and the course of exchange, that they frequently have no connection." He afterward said, "My opinion is, I do not know whether it is that of the Bank, that the amount of our paper circulation has no reference at all to the state of the exchange." And on a subsequent day Mr. Whitmore stated, that "the present unfavorable state of exchange has no influence upon the amount of their issues, the Bank having acted in precisely the same way as they did before." He was likewise asked, whether, in regulating the amount of their circulation, the Bank ever adverted to the difference between the market and Mint price of gold, and having desired to have time to consider that question, Mr. Whitmore, on a subsequent day, answered it in the following terms, which suggested these further questions:

"In taking into consideration the amount of your notes, out in circulation, and in limiting the extent of your discounts to merchants, do you advert to the difference, when such exists, between the market and the Mint price of gold?—We do advert to that, inasmuch as we do not discount at any time for those persons who we know, or have good reason to suppose, export the gold."

"Do you not advert to it any farther than by refusing discounts to such persons?—We do advert to it, inasmuch as whenever any Director thinks it bears upon the question of our discounts, and presses to bring forward the discussion."

"The market price of gold having, in the course of the last year, risen as high as 4*l.* 10*s.* or 4*l.* 12*s.*, has that circumstance been taken into consideration by you, so as to have had any effect in diminishing or enlarging the amount of the outstanding demands?—It has not been taken into consideration by me in that view."

Mr. Pearse, now Governor of the Bank, agreed with Mr. Whitmore in this account of the practice of the Bank, and expressed his full concurrence in the same opinion.

Mr. Pearse.—"In considering this subject, with reference to the manner in which Bank notes are issued, resulting from the applications made for discounts to supply the necessary want of Bank notes, by which their issue in amount is so controlled that it can never amount to an excess, I cannot see how the amount of Bank notes issued can operate upon the price of Bullion, or the state of the exchanges, and therefore I am individually of opinion that the price of Bullion, or the state of the exchanges, can never be a reason for lessening the amount of Bank notes to be issued, always understanding the control which I have already described."

"Is the Governor of the Bank of the same opinion, which has now been expressed by the Deputy Governor?"

Mr. Whitmore.—"I am so much of the same opinion, that I never think it necessary to advert to the price of gold, or the state of the exchange, on the days on which we make our advances."

"Do you advert to these two circumstances with a view to regulate the general amount of your advances?—I do not advert to it with a view to our general advances, conceiving it not to bear upon the question."

And Mr. Harman, another Bank Director, expressed his opinion in these terms—"I must very materially alter my opinions before I can suppose that the exchanges will be influenced by any modification of our paper currency."

These gentlemen, as well as several of the merchants who appeared before the Committee, placed much reliance upon an argument which they drew from the want of correspondence in point of time, observable between the amount of Bank of England notes and the state of the Hamburgh exchange during several years; and Mr. Pearse presented a paper on this subject, which is inserted in the Appendix. Your Committee would feel no distrust in the general principles which they have stated, if the discordance had been greater; considering the variety of circumstances which have a temporary effect on exchange, and the uncertainty both of the time and the degree in which it may be influenced by any given quantity of paper. It may be added, that the numerical amount of notes (supposing 1*l.* and 2*l.* notes to be excluded from the statement) did not materially vary during the period of the comparison; and that in the last year, when the general exchanges with Europe have become much more unfavorable, the notes of the Bank of England, as well as those of the country Banks, have been very considerably increased. Your Committee, however, on the whole, are not of opinion

that a material depression of the exchanges has been manifestly to be traced in its amount and degree to an augmentation of notes corresponding in point of time. They conceive, that the more minute and ordinary fluctuations of exchange are generally referable to the course of our commerce ; that political events, operating upon the state of trade, may often have contributed as well to the rise as to fall of the exchange ; and in particular, that the first remarkable depression of it in the beginning of 1809, is to be ascribed, as has been stated in the evidence already quoted, to commercial events arising out of the occupation of the North of Germany by the troops of the French Emperor. The evil has been that the exchange, when fallen, has not had the full means of recovery under the subsisting system. And if those occasional depressions, which arise from commercial causes, are not after a time successively corrected by the remedy which used to apply itself before the suspension of the cash payments of the Bank, the consequences may ultimately be exactly similar to those which a sudden and extravagant issue of paper would produce. The restoration of the exchange used to be effected by the clandestine transmission of guineas, which improved it for the moment by serving as a remittance ; and unquestionably also in part, probably much more extensively, by the reduction of the total quantity of the remaining circulating medium, to which reduction the banks were led to contribute by the caution which every drain of gold naturally excited. Under the present system, the former of these remedies must be expected more and more to fail, the guineas in circulation being even now apparently so few as to form no important remittance ; and the reduction of paper seems therefore the chief, if not the sole corrective, to be resorted to. It is only after the Bank shall have for some time resumed its cash payments, that both can again operate, as they did on all former occasions prior to the restriction.

The Committee cannot refrain from expressing it to be their opinion, after a very deliberate consideration of this part of the subject, that it is a great practical error to suppose that the exchanges with foreign countries, and the price of Bullion, are not liable to be affected by the amount of a paper currency, which is issued without the condition of payment in specie at the will of the holder. That the exchanges will be lowered, and the price of Bullion raised, by an issue of such paper to excess, is not only established as a principle by the most eminent authorities upon commerce and finance ; but its practical truth has been illustrated by the history of almost every state in modern times which has used a paper currency ; and in all those countries this principle has finally been resorted to by their statesmen, as the best criterion to judge by, whether such currency was or was not excessive.

EARLIER VARIATIONS IN EXCHANGE.

In the instances which are most familiar in the history of foreign countries the excess of paper has been usually accompanied by another circumstance, which has no place in our situation at present, a want of confidence in the sufficiency of those funds upon which the paper had been issued. Where these two circumstances, excess and want of confidence, are conjoined, they will co-operate and produce their effect much more rapidly than when it is the result of the excess only of a paper of perfectly good credit ; and in both cases an effect of the same sort will be produced upon the foreign exchanges, and upon the price of bullion. The most remarkable examples of the former kind are to be found in the history of the paper currencies of the British Colonies in North America in the early part of the last century and in that of the assignats of the French Republic ; to which the Committee has been enabled to add another, scarcely less remarkable, from the money speculations of the Austrian Government in the last campaign, which will be found in the Appendix. The present state of the currency of Portugal affords, also, an instance of the same kind.

Examples of the other sort, in which the depreciation was produced by excess alone, may be gathered from the experience of the United Kingdom at different times.

In Scotland, about the end of the seven years' war, banking was carried to a very great excess ; and by a practice of inserting in their promissory notes an optional clause of paying at sight, or in six months after sight with interest, the convertibility of such notes into specie at the will of the holder was in effect suspended. These notes accordingly became depreciated in comparison with specie ; and while this abuse lasted, the exchange between London and Dumfries, for example, was sometimes four per cent against Dumfries, while the exchange between London and Carlisle, which is not thirty miles distant from Dumfries, was at par. The Edinburgh banks, when any of their paper was brought in to be exchanged for bills on London, were accustomed to extend or contract the date of the bills they gave, according to the state of the exchange, diminishing in this manner the value of those bills, nearly in the same degree in which the excessive issue had caused their paper to be depreciated. This excess of paper was at last removed by granting bills on London at a fixed date ; for the payment of which bills, or in other words, for the payment of which excess of paper, it was necessary in the first instance to provide by placing large pecuniary funds in the hands of their London correspondents. In aid of such precautionary measures on the part of the Edin-

burgh banks, an act of Parliament prohibited the optional clauses, and suppressed ten and five-shilling notes. The exchange between England and Scotland was speedily restored to its natural rate: and bills on London at a fixed date having ever since been given in exchange for the circulating notes of Scotland, all material excess of Scottish paper above Bank of England has been prevented, and the exchange has been stationary.

The experience of the Bank of England itself, within a very short period after its first establishment, furnishes a very instructive illustration of all the foregoing principles and reasonings. In this instance, the effects of a depreciation of the coin, by wear and clipping, were coupled with the effect of an excessive issue of paper. The Directors of the Bank of England did not at once attain a very accurate knowledge of all the principles by which such an institution must be conducted. They lent money not only by discount, but upon real securities, mortgages, and even pledges of commodities not perishable; at the same time, the Bank contributed most materially to the service of government for the support of the army upon the Continent. By the liberality of these loans to private individuals, as well as by the large advances to government, the quantity of the notes of the Bank became excessive, their relative value was depreciated, and they fell to a discount of 17 per cent. At this time there appears to have been no failure of the public confidence in the funds of the Bank; for its stock sold for 110 per cent., though only 60 per cent. upon the subscriptions had been paid in. By the conjoint effect of this depreciation of the paper of the Bank from excess, and of the depreciation of the silver coin from wear and clipping, the price of gold bullion was so much raised, that guineas were as high as 30s.; all that had remained of good silver gradually disappeared from the circulation; and the exchange with Holland, which had been before a little affected by the remittances for the army, sunk as low as 25 per cent. under par, when the Bank notes were at a discount of 17 per cent. Several expedients were tried, both by Parliament and by the Bank, to force a better silver coin into circulation, and to reduce the price of guineas, but without effect. At length the true remedies were resorted to: first, by a new coinage of silver, which restored that part of the currency to its standard value, though the scarcity of money occasioned by calling in the old coin brought the Bank into straits, and even for a time affected its credit; secondly, by taking out of the circulation the excess of Bank notes. This last operation appears to have been effected very judiciously. Parliament consented to enlarge the capital stock of the Bank, but annexed a condition, directing that a certain proportion of the new subscriptions should be made good in Bank notes. In proportion to the amount of notes sunk in this manner, the value of those which remained in circulation began presently to rise; in a short time the notes were at par, and the foreign exchanges nearly so. These details are all very fully mentioned in authentic tracts published at the time, and the case appears to your Committee to afford much instruction upon the subject of their present inquiry.

Your committee must next refer to the confirmation and sanction which all their reasonings receive from the labours of the Committee of this House, which was appointed in a former Parliament to examine into the causes of the great depreciation of the Irish exchange with England in 1804. Most of the mercantile persons who gave evidence before that Committee, including two Directors of the Bank of Ireland, were unwilling to admit that the fall of the exchange was in any degree to be ascribed to an excess of the paper currency arising out of the restriction of 1797; the whole fall in that case, as in the present, was referred to an unfavorable balance of trade or of payments; and it was also then affirmed, that "notes issued only in proportion to the demand, in exchange for good and convertible securities, payable at specific periods, could not tend to any excess in the circulation, or to any depreciation." This doctrine, though more or less qualified by some of the witnesses, pervades most of the evidence given before that Committee, with the remarkable exception of Mr. Mansfield, whose knowledge of the effects of that over-issue of Scotch paper, which has just been mentioned, led him to deliver a more just opinion on the subject. Many of the witnesses before the Committee, however unwilling to acknowledge the real nature of the evil, made important concessions, which necessarily involved them in inconsistency. They could not, as practical men, controvert the truth of the general position, that "the fluctuations of exchange between two countries are generally limited by the price at which any given quantity of bullion can be purchased in the circulating medium of the debtor country, and converted into the circulating medium of the creditor country, together with the insurances and charges of transporting it from one to the other." It was at the same time admitted, that the expense of transporting gold from England to Ireland, including insurance, was then under one per cent.; that before the restriction, the fluctuations had never long and much exceeded this limit; and, moreover, at the exchange with Belfast, where guineas freely circulated at the time of the investigation by that Committee, was then $1\frac{1}{4}$ in favor of Ireland, while the exchange with Dublin, where only paper was in use, was 10l. per cent. against that country. It also appeared from such imperfect documents as it was practicable to furnish, that the balance of trade was then favorable to Ireland. Still, however, it was contended, that there was no depreciation of Irish paper, that there was a scarcity and consequent high price of gold, and that the diminution of Irish paper would not rectify the exchange. "The depreciation of Bank paper in Ire-

land" (it was said by one of the witnesses, a Director of the Bank of Ireland) "is entirely a relative term with respect to the man who buys and sells in Dublin by that common medium: to him it is not depreciated at all; but to the purchaser of a bill on London, to him in that relation, and under that circumstance, there is a depreciation of ten per cent." By thus avoiding all comparison with a view to the point in issue between the value of their own paper and that of either the then circulating medium of this country or of gold bullion, or even of gold coin then passing at a premium in other parts of Ireland, they appear to have retained a confident opinion, that no depreciation of Irish paper had taken place.

It is further observable, that the value of a considerable quantity of dollars put into circulation by the Bank of Ireland at this period was raised to 5s. a dollar, for the professed purpose of rendering the new silver coin conformable to the existing state of the exchange, a circumstance on which the Committee animadverted in their Report, and which serves to show that the Irish paper currency could not stand a comparison with the standard price of silver, any more than with that of gold bullion, with gold in coin, or with the then paper currency of this kingdom.

A fact was mentioned to that Committee on the evidence of Mr. Colville, a Director of the Bank of Ireland, which, though it carried no conviction to his mind of the tendency of a limitation of paper to lower exchanges, seems very decisive on this point. He stated that in 1753 and 1754, the Dublin exchange being remarkably unfavorable, and the notes of the Dublin Bank being suddenly withdrawn, the exchange became singularly favorable. The mercantile distress produced on that occasion was great, through the suddenness of the operation, for it was effected, not by the gradual and prudent measures of the several Banks, but through the violent pressure which their unguarded issues had brought upon them. The general result, however, is not the less observable.

With a view to the further elucidation of the subject of the Irish exchanges, which so lately attracted the attention of Parliament, it may be proper to remark that Ireland has no dealings in exchange with foreign countries, except through London, and that the payments from Ireland to the Continent are consequently converted into English currency, and then into the currency of the countries to which Ireland is indebted. In the spring of 1804 the Exchange of England with the Continent was above par, and the Exchange of Ireland was in such a state that 118*l.* 10*s.* of the notes of the Bank of Ireland would purchase only 100*l.* of those of the Bank of England. Therefore, if the notes of the Bank of Ireland were not depreciated, and it was so maintained, it followed that the notes of the Bank of England were at more than 10 per cent. premium above the standard coin of the two countries.

The principles laid down by the Committee of 1804, had probably some weight with the Directors of the Bank of Ireland; for between the period of their Report (June, 1804 and January, 1806, the circulation of the notes of the Bank of Ireland was gradually (though with small occasional fluctuations) reduced from about three millions to 2,410,000*l.*, being a diminution of nearly one-fifth; at the same time, all the currency which had been issued under the name of silver tokens, was by law suppressed. The paper currency, both of the Bank of England and of the English country Banks, seems during the same period to have gradually increased. The combination of these two causes is likely to have had a material effect in restoring to par the Irish exchange with England.

The Bank of Ireland has again gradually enlarged its issues to about 3,100,000*l.*, being somewhat higher than they stood in 1804, an increase probably not disproportionate to that which has occurred in England within the same period. Perhaps, however, it ought not to be assumed, that the diminution of issues of the Bank of Ireland between 1804 and 1806, would produce a corresponding reduction in the issues of private Banks in Ireland, exactly in the same manner in which a diminution of Bank of England paper produces that effect on the country banks in Great Britain; because the Bank of Ireland does not possess the same exclusive power of supplying any part of that country with a paper currency, which the Bank of England enjoys in respect to the metropolis of the empire. The Bank of England, by restricting the quantity of this necessary article in that important quarter, can more effectually secure the improvement of its value; and every such improvement must necessarily lead, by a corresponding diminution in amount, to a similar augmentation of the value of country Bank paper exchangeable for it. That the same diminution of the circulation of private Banks took place in Ireland is more than probable, for the private Banks in Ireland are accustomed to give Bank of Ireland paper for their own circulating notes when required to do so, and therefore could not but feel the effect of any new limitation of that paper for which their own was exchangeable.

It is due, however, in justice to the present Directors of the Bank of England, to remind the House that the suspension of their cash payments, though it appears in some degree to have originated in a mistaken view taken by the Bank of the peculiar difficulties of that time was not a measure sought for by the Bank, but imposed upon it by the Legislature for what were held to be urgent reasons of state policy and public expediency. And it ought not to be urged as matter of charge against the Directors, if in this novel situation in which their commercial company was placed by the law, and entrusted

with the regulation and control of the whole circulating medium of the country, they were not fully aware of the principles by which so delicate a trust should be executed, but continued to conduct their business of discounts and advances according to their former routine.

CONVERTIBILITY THE BEST REGULATOR.

It is important at the same time, to observe, that under the former system, when the Bank was bound to answer its notes in specie upon demand, the state of the foreign exchanges and the price of gold did most materially influence its conduct in the issue of those notes, though it was not the practice of the Directors systematically to watch either the one or the other. So long as gold was demandable for their paper, they were speedily apprised of a depression of the exchange, and a rise in the price of gold, by a run upon them for that article. If at any time they incautiously exceeded the proper limit of their advances and issues, the paper was quickly brought back to them, by those who were tempted to profit by the market price of gold or by the rate of exchange. In this manner the evil soon cured itself. The Directors of the Bank having their apprehensions excited by the reduction of their stock of gold, and being able to replace their loss only by reiterated purchases of bullion at a very losing price, naturally contracted their issues of paper, and thus gave to the remaining paper, as well as to the coin for which it was interchangeable, an increased value, while the clandestine exportation either of the coin, or the gold produced from it, combined in improving the state of the exchange and in producing a corresponding diminution of the difference between the market price and Mint price of gold, or of paper convertible into gold.

Your Committee do not mean to represent that the manner in which this effect resulted from which they have described, was distinctly perceived by the Bank Directors. The fact of the conduct limiting their paper as often as they experienced any great drain of gold, is, however, unquestionable. Mr. Bosanquet stated, in his evidence before the secret Committee of the House of Lords, in the year 1797, that in 1783, when the Bank experienced a drain of cash, which alarmed them, the Directors took a bold step and refused to make the advances on the loan of that year. This, he said, answered the purpose of making a temporary suspension in the amount of the drain of their specie. And all the three Directors who have been examined before your Committee, represent some restriction of the Bank issues as having usually taken place at those periods antecedent to this suspension of the cash payments of the Bank when they experienced any material run. A very urgent demand for guineas, though arising not from the high price of gold and the state of the exchange, but from a fear of invasion, occurred in 1793, and also in 1797, and in each of these periods the Bank restrained their discounts, and consequently also the amount of their notes, very much below the demands of their merchants. Your Committee question the policy of thus limiting the accommodation in a period of alarm, unaccompanied with an unfavorable exchange and high price of bullion; but they consider the conduct of the Bank at the two last mentioned periods, as affording illustration of their general disposition, antecedently to 1797, to contract their loans and their paper, when they found their gold to be taken from them.

It was a necessary consequence of the suspension of cash payments, to exempt the Bank from that drain of gold, which, in former times, was sure to result from an unfavorable exchange and a high price of bullion. And the Directors, released from all fears of such a drain, and no longer feeling any inconvenience from such a state of things, have not been prompted to restore the exchange and the price of gold to their proper level by a reduction of their advances and issues. The Directors, in former times, did not perhaps perceive and acknowledge the principle more distinctly than those of the present day, but they felt the inconvenience, and obeyed its impulse; which practically established a check and limitation to the issue of paper. In the present times the inconvenience is not felt; and the check, accordingly, is no longer in force.

But your Committee beg leave to report it to the House as their most clear opinion, that so long as the suspension of cash payments is permitted to subsist, the price of gold bullion and the general course of exchange with foreign countries, taken for any considerable period of time, form the best general criterion from which any inference can be drawn, as to the sufficiency or excess of paper currency in circulation; and that the Bank of England cannot safely regulate the amount of its issues, without having reference to the criterion presented by these two circumstances. And upon a review of all the facts and reasonings which have already been stated, your Committee are further of opinion, that, although the commercial state of this country, and the political state of the continent, may have had some influence on the high price of gold bullion and the unfavorable course of exchange with foreign countries, this price, and this depreciation, are also to be ascribed to the want of a permanent check, and a sufficient limitation of the paper currency in this country.

CHARACTER OF DISCOUNTS INSUFFICIENT TO GUARD AGAINST DEPRECIATION.

In connection with the general subject of this part of their report, the policy of the

Bank of England respecting the amount of their circulation, your Committee have now to call the attention of the House to another topic, which was brought under their notice in the course of their inquiry, and which in their judgment demands the most serious consideration. The Bank Directors, as well as some of the merchants who have been examined, showed a great anxiety to state to your Committee a doctrine, of the truth of which they professed themselves to be most thoroughly convinced, that there can be no possible excess in the issue of Bank of England paper, so long as the advances in which it is issued are made upon the principles which at present guide the conduct of the Directors, that is, so long as the discount of mercantile bills are confined to paper of undoubted solidity, arising out of real commercial transactions, and payable at short and fixed periods. That the discounts should be made only upon bills growing out of real commercial transactions, and falling due in a fixed and short period, are sound and well-established principles. But that, while the Bank is restrained from paying in specie, there need be no other limit to the issue of their paper than what is fixed by such rules of discount, and that during the suspension of cash payments the discount of good bills falling due at short periods cannot lead to any excess in the amount of bank paper in circulation, appears to your Committee to be a doctrine wholly erroneous in principle and pregnant with dangerous consequences in practice.

But before your Committee proceed to make such observations upon this theory as it appears to them to deserve, they think it right to show from the evidence, to what extent it is entertained by some of those individuals who have been at the head of the affairs of the Bank. The opinions held by those individuals are likely to have an important practical influence; and appeared to your Committee, moreover, the best evidence of what has constituted the actual policy of that establishment in its corporate capacity.

Mr. Whitmore, the late Governor of the Bank, expressly states, "The Bank never force a note in circulation, and there will not remain a note in circulation more than the immediate wants of the public require; for no banker, I presume, will keep a larger stock of bank notes by him than his immediate payments require, as he can at all times procure them." The reason here assigned is more particularly explained by Mr. Whitmore, when he says, "The Bank notes would revert to us if there was a redundancy in circulation, as no one would pay interest for a bank note that he did not want to make use of." Mr. Whitmore further states, "The criterion by which I judge of the exact proportion to be maintained between the occasions of the public, and the issues of the Bank, is by avoiding as much as possible to discount what does not appear to be legitimate mercantile paper." And further when asked, what measure the court of Directors has to judge by, whether the quantity of bank notes out in circulation is at any time excessive, Mr. Whitmore states, that their measure of the security or abundance of bank notes is certainly by the greater or less application that is made to them for the discount of good paper.

Mr. Pearse, late Deputy-Governor, and now Governor of the Bank, stated very distinctly his concurrence in opinion with Mr. Whitmore upon this particular point. He referred "to the manner in which bank notes are issued, resulting from the applications made for discounts to supply the necessary want of bank notes, by which their issue in amount is so controlled that it can never amount to an excess." He considers "the amount of the bank notes in circulation as being controlled by the occasions of the public, for internal purposes," and that, "from the manner in which the issue of bank notes is controlled, the public will never call for more than is absolutely necessary for their wants."

Another Director of the Bank, Mr. Harman, being asked, if he thought that the sum total of discounts applied for, even though the accommodation afforded should be on the security of good bills to safe persons, might be such as to produce some excess in the quantity of the Bank issues, if fully complied with, he answered, "I think if we discount only for solid persons, and such paper as is for real *bona-fide* transactions, we cannot materially err." And he afterwards states, that what he should consider as the test of a superabundance would be, "money being more plentiful in the market."

It is material to observe, that both Mr. Whitmore and Mr. Pearse state that "the Bank does not comply with the whole demand upon them for discounts, and that they are never induced, by a view to their own profit, to push their issues beyond what they deem consistent with the public interest."

Another very important part of the evidence of these gentlemen upon this point, is contained in the following extract

"Is it your opinion that the same security would exist against any excess in the issues of the Bank, if the rate of the discount were reduced from 5*l.* to 4*l.* per cent.?" Answer—"The security of an excess of issue would be, I conceive, precisely the same." Mr. Pearse.—"I concur in that answer."

"If it were reduced to 3*l.* per cent.?"—Mr. Whitmore.—"I conceive there would be no difference if our practice remained the same as now, of not forcing a note into circulation." Mr. Pearse.—"I concur in that answer."

Your Committee cannot help again calling the attention of the House to the view which this evidence presents, of the consequences which have resulted from the peculiar

situation in which the Bank of England was placed by the suspension of cash payments. So long as the paper of the Bank was convertible into specie at the will of the holder, it was enough, both for the safety of the Bank and for the public interest in what regarded its circulating medium, that the Directors attended only to the character and quality of the bills discounted, as real ones and payable at fixed and short periods. They could not much exceed the proper bounds in respect of the quantity and amount of bills discounted, so as thereby to produce an excess of their paper in circulation, without quickly finding that the surplus returned upon themselves in demand for specie. The private interest of the Bank to guard themselves against a continued demand of that nature, was a sufficient protection for the public against any such excess of Bank paper as would occasion a material fall in the relative value of the circulating medium. The restriction of cash payments, as has already been shown, having rendered the same preventive policy no longer necessary to the Bank, has removed that check upon its issues which was the public security against an excess. When the Bank Directors were no longer exposed to the inconvenience of a drain upon them for gold, they naturally felt that they had no such inconvenience to guard against by a more restrained system of discounts and advances; and it was very natural for them to pursue, as before (but without that sort of guard and limitation which was now become unnecessary to their own security), the same liberal and prudent system of commercial advances from which the prosperity of their own establishment had resulted, as well as in a great degree the commercial prosperity of the whole country. It was natural for the Bank Directors to believe, that nothing but benefit could accrue to the public at large, while they saw the growth of Bank profits go hand in hand with the accommodations granted to the merchants. It was hardly to be expected of the Directors of the Bank, that they should be fully aware of the consequences that might result from their pursuing, after the suspension of cash payments, the same system which they had found a safe one before. To watch the operation of so new a law, and to provide against the injury which might result from it to the public interests, was the province, not so much of the Bank as of the Legislature, and, in the opinion of your Committee, there is room to regret that this House has not taken earlier notice of all the consequences of that law.

By far the most important of these consequences is, that while the convertibility into specie no longer exists as a check to an overissue of paper, the Bank Directors have not perceived that the removal of that check rendered it possible that such an excess might be issued by the discount of perfectly good bills. So far from perceiving this, your Committee have shown that they maintain the contrary doctrine with the utmost confidence, however it may be qualified occasionally by some of their expressions. That this doctrine is a very fallacious one, your Committee cannot entertain a doubt. The fallacy upon which it is founded, lies in not distinguishing between an advance of capital to merchants, and an addition of supply of currency to the general mass of circulating medium. If the advance of capital only is considered, as made to those who are ready to employ it in judicious and productive undertakings, it is evident there need be no other limit to the total amount of advances than what the means of the lender, and his prudence in the selection of borrowers, may impose. But in the present situation of the Bank, intrusted as it is with the function of supplying the public with that paper currency which forms the basis of our circulation, and at the same time not subjected to the liability of converting the paper into specie, every advance which it makes of capital to the merchants in the shape of discount, becomes an addition also to the mass of circulating medium. In the first instance, when the advance is made by notes paid in discount of a bill, it is undoubtedly so much capital, so much power of making purchases, placed in the hands of the merchant who receives the notes; and if those hands are safe, the operation is so far, and in this its first step, useful and productive to the public. But as soon as the portion of circulating medium in which the advance was thus made performs in the hands of him to whom it was advanced this its first operation as capital, as soon as the notes are exchanged by him for some other article which is capital, they fall into the channel of circulation as so much circulating medium, and form an addition to the mass of currency. The necessary effect of every such addition to the mass is to diminish the relative value of any given portion of that mass in exchange for commodities. If the addition were made by notes convertible into specie, this diminution of the relative value of any given portion of the whole mass would speedily bring back upon the Bank which issued the notes as much as was excessive. But if by law they are not so convertible, of course this excess will not be brought back, but will remain in the channels of circulation, until paid in again to the Bank itself in discharge of the bills which were originally discounted. During the whole time they remain out, they perform all the functions of circulating medium; and before they come to be paid in discharge of those bills, they have already been followed by a new issue of notes in a similar operation of discounting. Each successive advance repeats the same process. If the whole sum of discounts continues outstanding at a given amount, there will remain permanently out in circulation a corresponding amount of paper; and if the amount of discounts is progressively increasing, the amount of paper, which remains out in circulation over and above what is otherwise wanted for the oc-

casions of the public, will progressively increase also, and the money prices of commodities will progressively rise. This progress may be as indefinite as the range of speculation and adventure in a great commercial country.

It is necessary to observe, that the law, which in this country limits the rate of interest, and of course, the rate at which the Bank can legally discount, exposes the Bank to still more extensive demands for commercial discounts. While the rate of commercial profits is very considerably higher than five per cent., as it has lately been in many branches of our foreign trade, there is in fact no limit to the demands which merchants of perfectly good capital, and of the most prudent spirit of enterprise, may be tempted to make upon the Bank for accommodation and facilities by discount. Nor can any argument or illustration place in a more striking point of view the extent to which such of the Bank Directors as were examined before the Committee, seem to have in theory embraced that doctrine, upon which your Committee have made these observations, as well as the practical consequences to which that doctrine may lead in periods of a high spirit of commercial adventure than the opinion which Mr. Whitmore and Mr. Pearse have delivered; that the same complete security to the public against any excess in the issues of the Bank would exist if the rate of discount were reduced from five to four, or even to three per cent. From the evidence, however, of the late Governor and Deputy Governor of the Bank, it appears, that though they state the principle broadly, that there can be no excess of their circulation if issued according to their rules of discount, yet they disclaim the idea of acting up to it in its whole extent; though they stated the applications for the discount of legitimate bills to be their sole criterion of abundance or scarcity, they gave your Committee to understand that they do not discount to the full extent of such applications. In other words, the Directors do not act up to the principle which they represent as one perfectly sound and safe, and must be considered, therefore, as possessing no distinct and certain rule to guide their discretion in controlling the amount of their circulation.

The suspension of cash payments has had the effect of committing into the hands of the Directors of the Bank of England, to be exercised by their sole discretion, the important charge of supplying the country with that quantity of circulating medium which is exactly proportioned to the wants and occasions of the public. In the judgment of this Committee, that is a trust which it is unreasonable to expect that the Directors of the Bank of England should ever be able to discharge. The most detailed knowledge of the actual trade of the country, combined with the profound science in all the principles of money and circulation, would not enable any man or set of men to adjust, and keep always adjusted, the right proportion of circulating medium in a country to the wants of trade. When the currency consists entirely of the precious metals, or of paper convertible at will into the precious metals, the natural process of commerce, by establishing exchanges among all the different countries of the world, adjusts in every particular country, the proportion of circulating medium to its actual occasions, according to that supply of the precious metals which the mines furnish to the general market of the world. The proportion which is thus adjusted and maintained by the natural operation of commerce, cannot be adjusted by any human wisdom or skill. If the natural system of currency and circulation be abandoned, and a discretionary issue of paper money substituted in its stead, it is vain to think that any rules can be devised for the exact exercise of such discretion; that though some cautions may be pointed out to check and control its consequences, such as are indicated by the effect of an excessive issue upon exchanges and the price of gold. The Directors of the Bank of England, in the judgment of your Committee, have exercised the new and extraordinary discretion reposed in them since 1797, with an integrity and a regard to the public interest, according to their conceptions of it, and indeed a degree of forbearance in turning it less to the profit of the Bank than it would easily have admitted of, that merit the continuance of that confidence which the public has so long and so justly felt in the integrity with which its affairs are directed, as well as in the unshaken stability and ample funds of that great establishment. That their recent policy involves great practical errors, which it is of the utmost public importance to correct, your Committee are fully convinced; but those errors are less to be imputed to the Bank Directors than to be stated as the effect of a new system, of which, however, it originated or was rendered necessary as a temporary expedient, it might have been well if Parliament had sooner taken into view all the consequences. When your Committee consider that this discretionary power of supplying the kingdom with circulating medium has been exercised under an opinion that the paper could not be issued to excess, if advanced in discounts to merchants in good bills payable at stated periods, and likewise under an opinion that neither the price of bullion nor the course of exchanges need be adverted to, as affording any indication with respect to the sufficiency or excess of such paper, your Committee cannot hesitate to say that these opinions of the Bank must be regarded as in a great measure the operative cause of the continuance of the present state of things.

IV.

CONSEQUENT INFLATION OF CURRENCY.

Your Committee will now proceed to state from the information which has been laid before them what appears to have been the progressive increase, and to be the present amount of the paper circulation of this country, consisting primarily of the notes of the Bank of England not at present convertible into specie; and, in a secondary manner, of the notes of the country bankers, which are convertible, at the option of the holder, into Bank of England paper. After having stated the amount of Bank of England paper, your Committee will explain the reasons which induce them to think that the numerical amount of that paper is not alone to be considered as decisive of the question as to its excess; and before stating the amount of country bank paper, so far as that can be ascertained, your Committee will explain their reasons for thinking that the amount of the country bank circulation is limited by the amount of that of the Bank of England.

1. It appears from the accounts laid before the Committees upon the Bank affairs in 1797, that for several years previous to the year 1796, the average amount of bank notes in circulation was between 10,000,000*l.* and 11,000,000*l.*, hardly ever falling below 9,000,000*l.*, and not often exceeding to any great amount 11,000,000*l.*

The following abstract of the several accounts referred to your Committee, or ordered by your Committee from the Bank, will show the progressive increase of the notes from the year 1798 to the end of the last year.

Average amount of Bank of England Notes in circulation in each of the following years :

	Notes of £5 and upwards, including Bank Post Bills.	Notes under £5.	TOTAL.
	£	£	£
1798.....	11,527,250	1,807,502	13,334,752
1799.....	12,408,522	1,653,805	14,062,327
1800.....	13,598,666	2,243,266	15,841,932
1801.....	13,454,367	2,715,182	16,169,549
1802	13,917,977	3,136,477	17,054,454
1803.....	12,983,477	3,864,045	16,847,522
1804.....	12,621,348	4,723,672	17,345,020
1805.....	12,697,352	4,544,580	17,241,932
1806.....	12,844,170	4,291,230	17,135,400
1807.....	13,221,988	4,183,013	17,405,001
1808.....	13,402,160	4,132,420	17,534,580
1809.....	14,133,515	4,868,275	19,001,890

Taking from the accounts the last half of the year 1809, the average will be found higher than for the whole year, and amounts to 19,880,310.

The accounts in the Appendix give very detailed returns for the first four months of the present year, down to the 12th May, from which it will be found that the amount was then increasing, particularly in the smaller notes. The whole amount of bank notes in circulation, exclusive of 939,990*l.* of bank post bills, will be found on the average of the two returns for the 5th and 12th of May last, to be 14,136,610*l.* in notes of 5*l.* and upwards, and 6,173,380*l.* in notes under 5*l.*, making the sum of 20,309,990*l.* and, including the bank post bills, the sum of 21,249,980*l.*

By far the most considerable part of this increase since 1798, it is to be observed, has been in the article of small notes, part of which must be considered as having been introduced to supply the place of the specie which was deficient at the period of the suspension of cash payments. It appears, however, that the first supply of small notes, which was thrown into circulation after that event, was very small in comparison of their present amount; a large augmentation of them appears to have taken place from the end of the year 1799, to that of the year 1802, and a very rapid increase has also taken place since the month of May, in the last year to the present time; the augmentation of these small notes from 1st of May, 1809, to the 5th of May, 1810, being from the sum of 4,509,470*l.* to the sum of 6,161,020*l.*

The notes of the Bank of England are principally issued in advances to government for the public service, and in advances to the merchants upon the discount of their bills.

Your Committee have had an account laid before them, of advances made by the Bank to government on land and malt, Exchequer Bills, and other securities, in every year since the suspension of cash payments ; from which, as compared with the accounts laid before the Committees of 1797, and which were then carried back for twenty years, it will appear that the yearly advances of the Bank to government have upon an average, since the suspension, been considerably lower in amount than the average amount of advances prior to that event, and the amount of those advances in the last two years, though greater in amount than those of some years immediately preceding, is less than it was for any of the six years preceding the restriction of cash payments.

With respect to the amount of commercial discounts, your Committee did not think it proper to require from the Directors of the Bank a disclosure of their absolute amount, being a part of their private transactions as a commercial company, of which, without urgent reason, it did not seem right to demand a disclosure. The late Governor and Deputy Governor however, at the desire of your Committee, furnished a comparative scale, in progressive numbers, showing the increase of the amount of their discounts from the year 1790 to 1809, both inclusive. They made a request, with which your Committee have thought it proper to comply, that this document might not be made public ; the Committee, therefore, have not placed it in the Appendix to the present report, but have returned it to the Bank. Your Committee, however, have to state in general terms, that the amount of discounts has been progressively increasing since the year 1796 ; and that their amount in the last year (1809) bears a very high proportion to their largest amount in any year preceding 1797. Upon this particular subject, your Committee are only anxious to remark, that the largest amount of mercantile discounts by the Bank, if it could be considered by itself, ought never, in their judgment, to be regarded as any other than a great public benefit, and that it is only the excess of paper currency thereby issued, and kept out in circulation, which is to be considered as the evil.

QUANTITY OF CURRENCY REQUIRED A RELATIVE MATTER.

But your Committee must not omit to state one very important principle, that the mere numerical return of the amount of bank notes out in circulation, cannot be considered as at all deciding the question whether such paper is or is not excessive. It is necessary to have recourse to other tests. The same amount of paper may at one time be less than enough, and at another time more. The quantity of currency required will vary in some degree with the extent of trade ; and the increase of our trade, which has taken place since the suspension, must have occasioned some increase in the quantity of our currency. But the quantity of currency bears no fixed proportion to the quantity of commodities ; and any inferences proceeding upon such a supposition would be entirely erroneous. The effective currency of the country depends upon the quickness of circulation, and the number of exchanges performed in a given time, as well as upon its numerical amount ; and all the circumstances, which have a tendency to quicken or to retard the rate of circulation, render the same amount of currency more or less adequate to the amount of trade. A much smaller amount is required in a high state of public credit, than when alarms make individuals call in their advances, and provide against accidents by hoarding ; and in a period of commercial security and private confidence, than when mutual distrust discourages pecuniary arrangements for any distant time. But, above all, the same amount of currency will be more or less adequate, in proportion to the skill which the great money-dealers possess in managing and economizing the use of the circulating medium. Your Committee are of opinion, that the improvements which have taken place of late years in this country, and particularly in the district of London, with regard to the use and economy of money among bankers, and in the mode of adjusting commercial payments, must have had a much greater effect than has hitherto been ascribed to them, in rendering the same sum adequate to a much greater amount of trade and payments than formerly. Some of those improvements will be found detailed in the evidence : they consist principally in the increased use of bankers' drafts in the common payments of London ; the contrivance of bringing all such drafts daily to a common receptacle, where they are balanced against each other ; the intermediate agency of bill-brokers ; and several other changes in the practice of London bankers, are to the same effect, of rendering it unnecessary for them to keep so large a deposit of money as formerly. Within the London district, it would certainly appear, that a smaller sum of money is required than formerly, to perform the same number of exchanges and amount of payments, if the rate of prices had remained the same. It is material also to observe, that both the policy of the Bank of England itself, and the competition of the country bank paper have tended to compress the paper of the Bank of England, more and more, within London and the adjacent district. All these circumstances must have co-operated to render a smaller augmentation of Bank of England paper necessary to supply the demands of our increased trade than might otherwise have been required ; and shew how impossible it is, from the numerical amount alone of that paper, to pronounce whether it is excessive or not : a more sure criterion must be resorted to ; and such a criterion, your Committee have already shewn, is only to be found in the state of the exchanges, and the price of gold bullion.

The particular circumstances of the two years which are so remarkable in the recent history of our circulation, 1793 and 1797, throw great light upon the principle which your Committee have last stated.

In the year 1793, the distress was occasioned by a failure of confidence in the country circulation, and a consequent pressure upon that of London. The Bank of England did not think it advisable to enlarge their issues to meet this increased demand, and their notes, previously issued, circulating less freely in consequence of the alarm that prevailed, proved insufficient for the necessary payments. In this crisis, Parliament applied a remedy, very similar, in its effect, to an enlargement of the advances and issues of the bank; a loan of exchequer bills was authorized to be made to as many mercantile persons, giving good security, as should apply for them; and the confidence which this measure diffused, as well as the increased means which it afforded of obtaining bank notes through the sale of the exchequer bills, speedily relieved the distress both of London and of the country. Without offering an opinion upon the expediency of the particular mode in which this operation was effected, your Committee think it an important illustration of the principle, that an enlarged accommodation is the true remedy for that occasional failure of confidence in the country districts, to which our system of paper credit is unavoidably exposed.

The circumstances which occurred in the beginning of the year 1797, were very similar to those of 1793;—an alarm of invasion, a run upon the country banks for gold, the failure of some of them, and a run upon the bank of England, forming a crisis like that of 1793, for which, perhaps, an effectual remedy might have been provided, if the Bank of England had had courage to extend instead of restricting its accommodations and issue of notes. Some few persons, it appears from the Report of the Secret Committee of the Lords, were of this opinion at the time; and the late Governor and Deputy Governor of the Bank stated to your Committee, that they, and many of the Directors, are now satisfied from the experience of the year 1797, that the diminution of their notes in that emergency increased the public distress; an opinion in the correctness of which your Committee entirely concur.

It appears to your Committee, that the experience of the Bank of England in the years 1793 and 1797, contrasted with the facts which have been stated in the present report, suggests a distinction most important to be kept in view between that demand upon the Bank for gold for the supply of the domestic channels of circulation, sometimes a very great and sudden one, which is occasioned by a temporary failure of confidence, and that drain upon the Bank for gold which grows out of an unfavorable state of the foreign exchanges. The former, while the Bank maintains its high credit, seems likely to be best relieved by a judicious increase of accommodation to the country; the latter, so long as the bank does not pay in specie, ought to suggest to the Directors a question, whether their issues may not be already too abundant.

Your committee have much satisfaction in thinking that the Directors are perfectly aware that they may err by a too scanty supply in a period of stagnant credit. And your Committee are clearly of opinion, that although it ought to be the general policy of the Bank Directors to diminish their paper in the event of a long continuance of a high price of bullion and a very unfavorable exchange, yet it is essential to the commercial interests of this country, and to the general fulfilment of those mercantile engagements which a free issue of paper may have occasioned, that the accustomed degree of accommodation to the merchants should not be suddenly and materially reduced; and that if any general and serious difficulty or apprehension on this subject should arise, it may, in the judgment of your Committee, be counteracted without danger, and with advantage to the public, by a liberality in the issue of Bank of England paper proportioned to the urgency of the particular occasion. Under such circumstances, it belongs to the Bank to take likewise into their own consideration, how far it may be practicable, consistently with a due regard to the immediate interests of the public service, rather to reduce their paper by a gradual reduction of their advances to government, than by too suddenly abridging the discounts to the merchants.

CIRCULATION OF COUNTRY BANKERS.

Before your Committee proceed to detail what they have collected with respect to the amount of country bank paper, they must observe, that so long as the cash payments of the Bank are suspended, the whole paper of the country bankers is a superstructure raised upon the foundation of the paper of the Bank of England. The same check, which the convertibility into specie, under a better system, provides against the excess of any part of the paper circulation is, during the present system, provided against an excess of country bank paper, by its convertibility into Bank of England paper. If an excess of paper be issued in a country district, while the London circulation does not exceed its due proportion, there will be a local rise of prices in that country district, but prices in London will remain as before. Those who have the country paper in their hands will prefer buying in London where things are cheaper,

and will therefore return that country paper upon the banker who issued it, and will demand from him Bank of England notes or bills upon London ; and thus, the excess of country paper being continually returned upon the issuers for Bank of England paper, the quantity of the latter necessarily and effectually limits the quantity of the former. This is illustrated by the account which has been already given of the excess, and subsequent limitation, of the paper of the Scotch banks, about the year 1763. If the Bank of England paper itself should at any time, during the suspension of cash payments, be issued to excess, a corresponding excess may be issued of country Bank paper which will not be checked ; the foundation being enlarged, the superstructure admits of a proportionate extension. And thus, under such a system, the excess of Bank of England paper will produce its effect upon prices not merely in the ratio of its own increase, but in a much higher proportion.

It has not been in the power of your Committee to obtain such information as might enable them to state, with anything like accuracy, the amount of country bank paper in circulation. But they are led to infer from all the evidence they have been able to procure on this subject, not only that a great number of new country banks has been established within these last two years, but also that the amount of issues of those which are of an older standing has in general been very considerably increased ; whilst on the other hand, the high state of mercantile and public credit, the proportionate facility of converting at short notice all public and commercial securities into Bank of England paper, joined to the preference generally given within the limits of its own circulation to the paper of a well-established country bank over that of the Bank of England, have probably not rendered it necessary for them to keep any large permanent deposits of Bank of England paper in their hands. And it seems reasonable to believe that the total amount of the unproductive stock of all the country banks, consisting of specie and Bank of England paper, is much less, at this period, under a circulation vastly increased in extent, than it was before the restriction of 1797. The temptation to establish country banks, and issue promissory notes, has therefore greatly increased. Some conjecture as to the probable total amount of those issues, or at least as to their recent increase, may be formed, as your Committee conceive, from the amount of the duties paid for stamps on the reissuable notes of country banks in Great Britain. The total amount of these duties for the year ended on the 10th of October, 1808, appears to have been 60,522*l.* 15*s.* 3*d.* and for the year ended on the 10th of October, 1809, 175,129*l.* 17*s.* 7*d.* It must, however, be observed, that on the 10th of October, 1808, these duties experienced an augmentation somewhat exceeding one-third ; and that some regulations were made, imposing limitations with respect to the reissue of all notes not exceeding 2*l.* 2*s.*, the effect of which has been to produce a much more than ordinary demand for stamps or notes of this denomination within the year 1809. Owing to this circumstance, it appears impossible to ascertain what may have been the real increase in the circulation of the notes, not exceeding 2*l.* 2*s.*, within the last year ; but with respect to the notes of a higher value, no alteration having been made in the law as to their reissue, the following comparison affords the best statement that can be collected from the documents before the Committee, of the addition made in the year 1809, to the number of those notes.

Number of Country Bank Notes exceeding 2*l.* 2*s.* each, stamped in the years ended the 10th of October, 1808, and 10th of October, 1809, respectively :

	1808. No.	1809. No.
Exceeding £2 2, and not exceeding £5 5.....	666,071	922,073
Exceeding £5 5, and not exceeding £20.....	198,473	380,006
Exceeding £20, and not exceeding £30.....		2,425
Exceeding £30, and not exceeding £50.....		674
Exceeding £50, and not exceeding £100.....		2,611

Assuming that the notes in the first two of these classes were all issued for the lowest denomination to which the duties respectively attach, and such as are most commonly met with in the circulation of country paper, viz., notes of 5*l.* and 10*l.* [although in the second class there is a considerable number of 20*l.*] and even omitting altogether from the comparison the notes of the three last classes, the issue of which your Committee understands is in fact confined to the chartered banks of Scotland, the result would be, that, exclusive of any increase in the number of notes under 2*l.* 2*s.* the amount of country bank paper stamped in the year ended the 10th of October, 1809, has exceeded that of the year ended on the 10th of October, 1808, in the sum of 3,095,340*l.* Your Committee can form no positive conjecture as to the amount of country bank paper cancelled and withdrawn from circulation in the course of the last year. But considering that it is the interest and practice of the country bankers to use the same notes as long as possible ; that, as the law now stands, there is no limitation of time to the reissuing of those not exceeding 2*l.* 2*s.* ; and that all above that amount are reissuable for three years from the date of their first issuing, it appears difficult to suppose that the amount of notes above 2*l.* 2*s.* cancelled in 1809, could be equal to the whole amount stamped in 1808 ; but even upon that supposition, there would still be an increase for 1809 in the notes of 5*l.* and 10*l.* alone, to the amount above specified of 3,095,340*l.*

to which must be added an increase within the same period of Bank of England notes to the amount of about 1,500,000*l.*, making in the year 1809, an addition in the whole of between four and five millions to the circulation of Great Britain alone, deducting only the gold which may have been withdrawn in the course of that year from actual circulation, which cannot have been very considerable, and also making an allowance for some increase in the amount of such country paper, as, though stamped, may not be in actual circulation. This increase in the general paper currency in last year, even after these deductions, would probably be little short of the amount which in almost any one year, since the discovery of America, has been added to the circulating coin of the whole of Europe. Although, as your Committee has already had occasion to observe, no certain conclusion can be drawn from the numerical amount of paper in circulation, considered abstractedly from all other circumstances, either as to such paper being in excess, or still less as to the proportion of such excess; yet they must remark, that the fact of any very great and rapid increase in that amount when coupled and attended with all the indications of a depreciated circulation, does afford the strongest confirmatory evidence, that from the want of some adequate check, the issues of such paper have not been restrained within their proper limits.

Your Committee cannot quit this part of the subject without further observing, that the addition of between four and five millions sterling to the paper circulation of this country, has doubtless been made at a very small expense to the parties issuing it, only about 100,000*l.* having been paid thereupon in stamps to the revenue, and probably for the reasons already stated, no corresponding deposits of gold or Bank of England notes being deemed by the country banks necessary to support their additional issues. These parties, therefore, it may be fairly stated, have been enabled under the protection of the law, which virtually secures them against such demands, to create within the last year or fifteen months, at a very trifling expense, and in a manner almost free from all present risk to their respective credits as dealers in paper money, issues of that article to the amount of several millions, operating, in the first instance and in their hands, as capital for their own benefit, and when used as such by them, falling into and in succession mixing itself with the mass of circulation of which the value in exchange for all other commodities is gradually lowered in proportion as that mass is augmented. If your Committee could be of opinion that the wisdom of Parliament would not be directed to apply a proper remedy to a state of things so unnatural, and teeming, if not corrected in time, with ultimate consequences so prejudicial to the public welfare, they would not hesitate to declare an opinion, that some mode ought to be derived of enabling the state to participate much more largely in the profits accruing from the present system; but as this is by no means the policy they wish to recommend, they will conclude their observations on this part of the subject, by observing that in proportion as they most fully agree with Dr. Adam Smith and all the most able writers and statesmen of this country, in considering a paper circulation constantly convertible into specie, as one of the greatest practical improvements which can be made in the political and domestic economy of any state; and in viewing the establishment of the country banks issuing such paper as a most valuable and essential branch of that improvement in this kingdom; in the same proportion is your Committee anxious to revert as speedily as possible to the former practice and state of things in this respect: convinced on the one hand that anything like a permanent and systematic departure from that practice must ultimately lead to results, which among other attendant calamities, would be destructive of the system itself; and on the other, that such an event would be the more to be deprecated, as it is only in a country like this, where good faith, both public and private, is held so high, and where, under the happy union of liberty and law, property and the securities of every description by which it is represented, are equally protected against the encroachments of power and the violence of popular commotion, that the advantages of this system, unaccompanied with any of its dangers, can be permanently enjoyed, and carried to their fullest extent.

V.

CONCLUSIONS.

Upon a review of all the facts and reasonings, which have been submitted to the consideration of your Committee in the course of their inquiry, they have formed an opinion, which they submit to the House: That there is at present an excess in the paper circulation of this country, of which the most unequivocal symptom is the very high price of bullion, and next to that, the low state of the continental exchanges; that this excess is to be ascribed to the want of a sufficient check and control in the issues of paper from the Bank of England; and originally to the suspension of cash payments, which removed the natural and true control. For, upon a general review of the subject, your Committee are of opinion that no safe, certain, and constantly ade-

quate provision against an excess of paper currency, either occasional or permanent, can be found except in the convertibility of all such paper into specie. Your Committee cannot, therefore, but see reason to regret that the suspension of cash payments, which, in the most favorable light in which it can be viewed, was only a temporary measure, has been continued so long ; and particularly that by the manner in which the present continuing act is framed, the character should have been given to it of a permanent war measure.

Your Committee conceive that it would be superfluous to point out in detail the disadvantages which must result to the country from any such general excess of currency as lowers its relative value. The effect of such an augmentation of prices upon all money transactions for time ; the unavoidable injury suffered by annuitants, and by creditors of every description, both private and public ; the unintended advantage gained by government and all other debtors ; are consequences too obvious to require proof and too repugnant to justice to be left without remedy. By far the most important portion of this effect appears to your Committee to be that which is communicated to the wages of common country labor, the rate of which, it is well known, adapts itself more slowly to the changes which happen in the value of money than the price of any other species of labor or commodity. And it is enough for your committee to allude to some classes of the public servants, whose pay, if once raised in consequence of a depreciation of money, cannot so conveniently be reduced again to its former rate, even after money shall have recovered its value. The future progress of these inconveniences and evils, if not checked, must at no great distance of time work a practical conviction upon the minds of all those who may still doubt their existence ; but even if their progressive increase were less probable than it appears to your Committee, they cannot help expressing an opinion that the integrity and honor of Parliament are concerned, not to authorize longer than is required by imperious necessity, the continuance in this great commercial country of a system of circulation in which that natural check or control is absent which maintains the value of money, and by the permanency of that common standard of value, secures the substantial justice and faith of moneyed contracts and obligations between man and man.

Your Committee, moreover, beg leave to advert to the temptation to resort to a depreciation even of the value of the gold coin by an alteration of the standard, to which Parliament itself might be subjected by a great and long-continued excess of paper. This has been the resource of many governments under such circumstances, and is the obvious and most easy remedy to the evil in question. But it is unnecessary to dwell on the breach of public faith and dereliction of a primary duty of government, which would manifestly be implied in preferring the reduction of the coin down to the standard of the paper, to the restoration of the paper to the legal standard of the coin.

Your Committee, therefore, having very anxiously and deliberately considered this subject, report it to the House as their opinion, that the system of the circulating medium of this country ought to be brought back with as much speed as is compatible with a wise and necessary caution to the original principle of cash payments at the option of the holder of Bank paper.

Your Committee have understood that remedies or palliatives of a different nature have been projected, such as a compulsory limitation of the amount of Bank advances and discounts during the continuance of the suspension ; or, a compulsory limitation during the same period of the rate of Bank profits and dividends, by carrying the surplus of profits above that rate to the public account. But in the judgment of your Committee such indirect schemes for palliating the possible evils resulting from the suspension of cash payments, would prove wholly inadequate for that purpose, because the necessary proportion could never be adjusted, and if once fixed, might aggravate very much the inconveniences of a temporary pressure ; and even if their efficacy could be made to appear, they would be objectionable as a most hurtful and improper interference with the rights of commercial property.

According to the best judgment your Committee has been enabled to form no sufficient remedy for the present or security for the future can be pointed out, except the repeal of the law which suspends the cash payments of the Bank of England.

In effecting so important a change your Committee are of opinion that some difficulties must be encountered, and that there are some contingent dangers to the Bank, against which it ought most carefully and strongly to be guarded. But all those may be effectually provided for by entrusting to the discretion of the Bank itself the charge of conducting and completing the operation, and by allowing to the Bank so ample a period of time for conducting it as will be more than sufficient to effect its completion. To the discretion, experience and integrity of the Directors of the Bank, your Committee believe that Parliament may safely entrust the charge of effecting that which Parliament may in its wisdom determine upon as necessary to be effected ; and that the Directors of that great institution, far from making themselves a party with those who have a temporary interest in spreading alarm, will take a much longer view of the permanent interests of the Bank, as indissolubly blended with those of the public. The particular mode of gradually effecting the resumption of cash payments ought, therefore, in the opinion of your Committee, to be left in a great measure to the discretion of

the Bank, and Parliament ought to do little more than to fix definitely the time at which cash payments are to become, as before, compulsory. The period allowed ought to be ample, in order that the Bank Directors may feel their way, and that, having a constant watch upon the varying circumstances that ought to guide them, and availing themselves only of favorable circumstances, they may tread back their steps slowly, and may preserve both the course of their own affairs as a company, and that of public and commercial credit, not only safe, but unembarrassed.

With this view, your Committee would suggest that the restriction on cash payments cannot safely be removed at an earlier period than two years from the present time ; but your Committee are of opinion that early provision ought to be made by Parliament for terminating by the end of that period the operation of the several statutes which have imposed and continued that restriction.

In suggesting this period of two years, your Committee have not overlooked the circumstances that, as the law stands at present, the Bank would be compelled to pay in cash at the end of six months after the ratification of a definite treaty of peace ; so that if peace were to be concluded within that period the recommendation of your Committee might seem to have the effect of postponing instead of accelerating the resumption of payments. But your Committee are of opinion that if peace were to be immediately ratified, in the present state of our circulation, it would be most hazardous to compel the Bank to pay cash in six months, and would be found wholly impracticable. Indeed, the restoration of peace, by opening new fields of commercial enterprise, would multiply instead of abridging the demands upon the Bank for discount, and would render it peculiarly distressing to the commercial world if the Bank were suddenly and materially to restrict their issues. Your Committee are, therefore, of opinion that even if peace should intervene, two years should be given to the Bank for resuming its payments ; but that even if the war should be prolonged, cash payments should be resumed by the end of that period.

Your Committee have not been indifferent to the consideration of the possible occurrence of political circumstances, which may be thought hereafter to furnish an argument in favor of some prolongation of the proposed period of resuming cash payments, or even in favor of a new law for their temporary restriction after the Bank shall have opened. They are, however, far from anticipating a necessity, even in any case of returning to the present system. But if occasion for a new measure of restriction could be supposed at any time to arise it can in no degree be grounded, as your Committee think, on any state of the foreign exchanges (which they trust that they have abundantly shown the Bank itself to have the general power of controlling), but on a political state of things producing, or likely very soon to produce, an alarm at home, leading to so indefinite a demand for cash for domestic uses as it must be impossible for any banking establishment to provide against. A return to the ordinary system of banking is, on the very ground of the late extravagant fall of the exchanges and high price of gold, peculiarly requisite. That alone can effectually restore general confidence in the value of the circulating medium of the kingdom ; and the serious expectation of this event must enforce a preparatory reduction of the quantity of paper, and all other measures which accord with the true principles of banking. The anticipation of the time when the Bank will be constrained to open may also be expected to contribute to the improvement of the exchanges ; whereas a postponement of this era so indefinite as that of six months after the termination of the war, and especially in the event of an exchange continuing to fall (which more and more would generally be perceived to arise from an excess of paper, and a consequent depreciation of it), may lead, under an unfavorable state of public affairs, to such a failure of confidence (and especially among foreigners), in the determination of Parliament to enforce a return to the professed standard of the measure of payments, as may serve to precipitate the further fall of the exchanges, and lead to consequences at once the most discreditable and disastrous.

Although the details of the best mode of returning to cash payments ought to be left to the discretion of the Bank of England, as already stated, certain provisions would be necessary, under the authority of Parliament, both for the convenience of the Bank itself and for the security of the other banking establishments in this country and in Ireland.

Your Committee conceive it may be convenient for the Bank to be permitted to issue notes under the value of 5*l*, for some little time after it had resumed payments in specie.

It will be convenient, also, for the chartered Banks of Ireland and Scotland, and all the country banks, that they should not be compelled to pay in specie until some time after the resumption of payments in cash by the Bank of England ; but that they should continue for a short period upon their present footing, of being liable to pay their own notes on demand, in Bank of England paper.

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“Now these are the names of the different pieces of their gold, and of their silver, according to their value. And the names are given by the Nephites: for they did not reckon after the manner of the Jews who were at Jerusalem; neither did they measure after the manner of the Jews, but they altered their reckoning and their measure, according to the minds and the circumstances of the people, in every generation, until the reign of the Judges; they having been established by King Mosiah.”—BOOK OF MORMON, BOOK OF ALMA, chapter VIII; verse 8.

BIMETALLISM IN HISTORY.

HENRY LOOMIS NELSON.

	PAGE
I. PERIOD FROM 1600 TO 1792.....	456
II. A SINGLE STANDARD ADOPTED IN EUROPE.....	458
III. THE GOLD MOVEMENT IN EUROPE.....	460
IV. IN THE UNITED STATES BEFORE 1873.....	462
1792-1834 SILVER MONOMETALLISM UNDER DOUBLE STANDARD.....	462
1834-1873 GOLD MONOMETALLISM UNDER DOUBLE STANDARD.....	463
V. IN THE UNITED STATES, 1873-1893.....	464
VI. RECENT DEVELOPMENTS.....	468
VII. A CENTURY'S STRUGGLE NOW ENDED.....	468

BIMETALLISM IN HISTORY.

The only supernatural authority which has been found for the almost universal practice of trying to make two unequal things equal is that which is printed above from the Book of Mormon. The authority must stand on its merits. The fact, however, of the failure of the efforts to use silver and gold as the standard of value, as if their equality could be compelled, leaves this solitary utterance of alleged inspiration in a bad way.

I.

FROM 1600 TO 1792.

When the Puritans came to Massachusetts Bay in 1630, England alone of all the nations of Europe was endeavoring to maintain the double standard. In France the standard of value was the livre—a pound of silver—just as the standard in England was the sterling pound of gold. Elsewhere on the Continent silver was frankly the standard. That great commercial country, Holland, maintained the silver standard from 1609 until recent years.

When this country was discovered the store of gold and silver in the world was very small. According to Dr. Soetbeer's tables, there were produced from 1493 to 1520 about 200,000 ounces of gold and about 1,600,000 ounces of silver. The quantity of the product was 8 of silver to 1 of gold, but the ratio of value was 10.75 of silver to 1 of gold. This difference may be accounted for by the greater comparative difficulty of obtaining gold. At this period gold came from West Africa, while silver was mined in Saxony and Bohemia. The relative values of the two metals have changed with the relative products of the mines. At the same time, the use of silver as money, which is as old as the coinage of the precious metals, shows that there are other causes than varying production that govern the price of the white metal, and when we come to the era of demonetization of silver we shall find the most potent of all causes, except, perhaps, the discovery of the great silver mines of the West.

In 1630 when the Puritans came to Massachusetts, and when the commercial Hollanders were in New Amsterdam, the world's supply of the two metals was still very small. There were, according to Dr. Soetbeer's tables, in 1640, 1,837,000 ounces of gold and 69,400,000 ounces of silver.

In the meantime while gold had been discovered in New Granada, silver mines that had been worked by the Aztecs had been discovered by the Spaniards in Mexico, the still celebrated mines of Potosi, in Bolivia, had been found, and the patio process of working ore had been invented. Between 1601 and 1620 more than three times as much silver was produced as had been mined up to 1545, and the price had fallen until 12.95 ounces of silver were required for the purchase of an ounce of gold. In the next twenty years there was a slight decline of product, but the output of both gold and silver was still very large, while the price of silver fell so that the ratio between it and gold was 14 to 1. Here was a relative decrease in the product of silver, accompanied by an important fall in price.

In the meantime England was struggling with bimetallic difficulties in its attempt to sustain the two metals. Gold was rising in value when James I. came to the throne, and during the period which we are now considering—1600 to 1792—gold rose or silver fell until the ratio between the two increased from 11.80 to 15.17. In the intervening years it had not been less than 12.25, but several times it had been higher than 15.17. An attempt was made in this reign to fix the ratio by law at 13 to 1 at a time when the market ratio was really about 12 to 1, and the consequence

was the exportation of silver from the kingdom and general distress among the working people. In 1614 the King ordered that the exportation of coin should cease. This was naturally ineffective. Proclamation after proclamation followed, and Charles I. continued the absurd financial policy of his father. The Star Chamber undertook the enforcement of the proclamations, and in 1636 there was a further demonstration of Gresham's law. The guineas were selling for a premium in clipped shillings, and the law undertook to fix their value, decreeing that a guinea should not be taken for more than a certain number of shillings. The good shillings were worth more than this and at once disappeared in the melting pot, the worn and clipped shillings alone appearing in circulation. Trade sprang up in the good shillings, and in the case before the Star Chamber seven persons were convicted of "culling out the most weighty pieces of the coin of this realm and melting them down and exporting the same, as well as foreign coin and bullion, to foreign ports." The culprits were fined £8,100, it having been shown to the satisfaction of the Star Chamber that they had made a profit of between £7,000 and £8,000 a year by their practices.

In the reigns of William III. and George I. various efforts were made to stop the traffic in gold and good silver coin. French louis-d'or and moidores were found circulating in England at a valuation greater than their intrinsic worth. The law, therefore, decreed that they should pass for their real worth, and they immediately disappeared from circulation. Under an act of William III. (1696), which endured for sixteen days, the guinea was made worth twenty-six shillings. At the end of that brief time another act made the guinea worth twenty-two shillings. Both were ineffectual.

Nothing but clipped or cheap money passed. Gold was undervalued as to worn shillings, and overvalued as to good shillings, while the good shillings were melted into bullion and bought and sold as a commodity. In 1699 the silver of the kingdom was recoined at an enormous loss to the Government, and at about the same time John Locke came to the conclusion, which he stated in a letter to Sir John Somers, Keeper of the Great Seal, that there should be only one metal coined, and that should be silver, for, notwithstanding the theoretical double standard of Great Britain, silver was "the money of the world," as Locke stated it to be, just as much in the time of William III. and George I. as it had been in the days when the patriarchs of the Old Testament bought their fields and flocks with silver shekels.

Notwithstanding the recoinage, clipped silver continued to circulate and the new and good coins disappeared. In the last forty years of the seventeenth century only £64,000 was brought to the mint to be coined. The speculative character of the currency brought great distress. In 1717 Sir Isaac Newton, then Master of the Mint, was asked by George I. for an opinion, and he recommended the reduction of the guinea to twenty-one shillings. This did not retain the good silver, for then the guinea was worth only 20s. 8d.

In the meantime the currency difficulties of the mother country were experienced in the American colonies, where, in 1651, a mint had been illegally established at Boston for the coinage of light "Pine-tree" shillings. Finally the evil became so great that, in 1774, an act of Parliament was passed limiting the right to coin silver to the Government and making it a legal tender by tale to the amount of of £25. Above that it was legal tender by weight only.

This was the state of the silver question when the first coinage act of this country was passed in 1792. The act of 1774 was powerless to fix the mutual ratio of gold and silver values. The ratio in 1773 and 1774 was 14.62 to 1. In 1775 it rose to 14.72, but in 1776, when the act was extended, for at first it was only temporary, the ratio fell to 14.55, and in 1777 it fell still further, to 14.54. Silver grew dearer, notwithstanding adverse legislation in Great Britain.

II.

A SINGLE STANDARD ADOPTED IN EUROPE.

The first coinage act for the United States was passed in 1792. Silver was actually first coined in 1794, and gold in 1795. The first silver dollar contained the same number of grains of fine silver as the standard dollar of to-day. Gold was coined in 1795, and the gold dollar contained 24.75 grains of pure gold.

England was still struggling with the currency question. Her commerce, manufactures and working people were suffering by reason of uncertainty as to the value of her circulating coins. Although the gold sovereign was the standard of value, silver was a legal tender for all debts. It is true that it was a legal tender by tale only to the amount of £25, but for amounts above that it was legal tender by weight. In the early part of the eighteenth century silver was generally supposed in commercial circles to be the English standard, and Adam Smith, in his explanation of the principle of foreign exchange, assumed that the metallic currencies of England and France were the same, and that both were silver. In this country we began by undervaluing gold, making the ratio 15 to 1, whereas the true ratio, in 1792, was 15.17 to 1. The latter was the ratio in England.

England adopted the single gold standard in 1798, six years after the enactment of our first coinage law. The temporary law of 1774 having been continued in 1776, was again extended in 1798 by acts which prohibited the importation of light silver coin, restrained the tender thereof beyond a certain sum, suspended the coinage of silver and prohibited the reception of any silver to be coined, or any silver already coined to be delivered. The first of the acts of 1798 ran by its terms to January 1, 1799, and in that year the two coinage and currency acts of 1798 were revived and made perpetual.

Thus England passed under the gold standard ; for gold becomes the single standard of a country when the mints are closed to private coinage of other metals. The silver that was in circulation continued to pass from hand to hand at the established rate of 21 to the guinea, much to its advantage, for the suspension of further coinage of silver bullion raised the value of both the gold and the current silver coins. Silver was overrated by the mint laws, for while its market price was ranging from 5s. an ounce to 5s. 1 1-2d., it would have become worth 5s. 2d. by being coined.

The effect of the act of 1798 on the comparative prices of silver and gold was not serious. Silver rose from 5s. 4d. to 5s. 6d. under the act of 1797, restricting the payment of specie by the Bank of England in anticipation of a possible discount on bank notes, but in September of the same year it fell back to 5s. 1d., and it remained in that neighborhood for some time. The following are the ratios of values for the ten years following the passage of the act of 1798 :

1799.....	15.74 to 1	1804.....	15.41 to 1
1800.....	15.68 to 1	1805.....	15.79 to 1
1801.....	15.46 to 1	1806.....	15.52 to 1
1802.....	15.26 to 1	1807.....	15.43 to 1
1803.....	15.41 to 1	1808.....	16.08 to 1

From this statement, taken from Dr. Soetbeer's tables, it appears that the market value of silver during the five years following 1799 was higher than the price obtaining that year. In 1803 France adopted by law the silver franc as the monetary unit, and Belgium, Italy and Switzerland followed. These nations then fixed the ratio at 15 1-2 to 1. The product of silver between 1801-1810 was a little more than 50 per cent. of the total product of the two metals, and while the price decreased in 1805, probably in consequence of the increased output, it increased in

1806 and 1807, presumably in consequence of the acts of the Continental Governments. In 1808 the price fell to a point lower than it had ever yet reached, but it recovered in 1809, 1810, and 1811, although it did not reach the prices of 1801 and the year immediately following.

The gold standard was not formally adopted by England until 1816, and even that act was followed by a general rise in the price of silver. Gold seems to have been chosen instead of silver, because the "common people" had found it more convenient. Transactions of any importance required so great a weight of silver that the burden of transportation became onerous and expensive. Native gold coins were not circulating in England in the last years of the seventeenth century, but the French gold, undervalued at home, as we have already seen, was circulating at more than its intrinsic worth. Lord Liverpool, speaking of this era, said :

"It is evident that * * * the common people had become accustomed to the use of gold coins, and the reason which induced them still to prefer them was, perhaps, the convenience of making large payments in coins of that metal."

The monetary unit of Great Britain became the sovereign or pound sterling. The legal gold coins are the sovereign, half-sovereign, two-sovereign and five-sovereign pieces. Actually the gold coins are sovereigns and half-sovereigns.

Silver is still legal tender in Great Britain, but only to the amount of £2, and the legal ratio is 14.28781 to 1. Silver is coined on account of the Government only. Gold is coined at private account at the fixed rate of £3 17s. 10½d. per ounce. Practically the Bank of England alone sends gold bars to the mint for coinage, paying individual owners of bullion £3 17s. 9d., the 1½d. being supposed to compensate the bank for the loss of interest while the bars are being transformed into coin. Most of the English colonies have adopted the gold standard and the monetary system of the mother country. The monetary unit in Canada, however, is the gold dollar of the United States. The Straits Settlements and Hong Kong have adopted the single silver standard, because it is in harmony with the currency of the adjoining peoples.

The British India currency law dates back to 1835. It makes the country silver monometallic, and the rupee the monetary unit. The mohur is a gold coin, but gold is not a legal tender. The ratio of coinage is 15 to 1. The recent suspension of silver coinage for private account places India on a gold basis, and unless there is a return to the old order the gold standard must be formally adopted. A money standard that cannot be coined on private account is an anomaly that will not endure.

It will be seen from an examination of the various coinage laws of Europe that Locke's dictum was growing in favor, and that the experiences of the commercial countries of the world had gradually led men of affairs to the conclusion that no nation could maintain a double standard. The growth of international commerce had led to the invention of bills of exchange. The rate for bills of exchange was easily computed if the countries between which they circulated possessed the same standard of value, the same ratio and coins of like intrinsic value ; but as this was never the case, and the price varied with fluctuations in the market values of the two metals, with their exports and imports, with legislative acts and with increase or diminution of product, the trade in bills of exchange became a speculation in gold and silver. Foreign commerce and domestic trade became unsettled. Therefore, at the beginning of the present century there was a general tendency in Europe towards monometallism. England chose gold and France silver. But although it was the intention of the French to establish a single silver standard, the law of 1803 was bimetallic, and gold was not driven out of circulation until under the Napoleonic wars the price of gold rose, and silver alone circulated. From 1820 to 1847 gold was constantly at a premium in France.

When England adopted the single gold standard the Netherlands was a silver

monometallic country, but, while it did not follow England's example, it adopted the double standard in 1816, returning in 1847 to the single silver standard.

Germany was a single silver standard country until its currency reform of 1871, as until lately has been Austria, although it is now putting into operation the single gold standard.

III.

THE GOLD MOVEMENT IN EUROPE.

The tendency of European countries in the early part of the present century was towards the adoption of the single standard. This course was dictated by common prudence and a desire to simplify transactions between the various countries.

M. Chevalier was the most conspicuous advocate in Europe of the use of silver as a money metal, and he is authority for the statement that gold disappeared from France during the Napoleonic wars and was not in circulation, while Mr. Giffen, the eminent English statistician, asserts that gold was constantly at a premium in France from 1820 to 1847. It ought to be explained that it is a mistake to suppose that the French law of 1803 first fixed the ratio of $15\frac{1}{2}$ to 1. If there is any magic in that ratio to keep the metals at a parity, it had an opportunity to show itself in the reign of Louis XVI., for Colonne fixed the ratio $15\frac{1}{2}$ to 1 in 1785, and the statute of 1803 merely affirmed what already existed, and extended its life. Colonne chose the ratio because gold was thereby overvalued.

In 1785 the commercial ratio was 14.92 to 1, and in 1803 it was 15.41. This ratio was maintained for two years, but in 1805 it became 15.79 to 1; in 1806 it was 15.52; in 1807 it fell below the French legal ratio once more, but gold recovered, and in 1808 the actual ratio was 16.08 to 1. It was not again as low as $15\frac{1}{2}$ until 1814, and for six years gold was overvalued by the French coinage law. In 1820, however, the ratio was once more above $15\frac{1}{2}$, and remained above for twenty years. Then, for one year, 1840, it was below. Again it rose in 1841 to 15.70, and did not fall again until 1851, under the influence of the gold discoveries in California and Australia. Once more the ratio was below $15\frac{1}{2}$ for one year only. In 1852 it was 15.59. It again fell below $15\frac{1}{2}$ in 1853, and remained below for eight years. In 1861 the actual and legal ratios in France were the same; for the next six years gold was overvalued. In 1867 it was again undervalued, and the difference since then has been increasing owing to the depreciation of silver.

The experience of France in undertaking to maintain the parity of the two metals was not happy. Since Colonne determined on the ratio of $15\frac{1}{2}$ to 1, one hundred and nine years ago, that has been below the market ratio seventy-one years; it has been equal to the market ratio one year and above it thirty-six years. In other words, it has expressed the truth once during that long period. Since 1803 gold has been undervalued in France sixty-eight years, correctly valued one year, and overvalued twenty-one years.

It was the intention of the framers of the law of 1803 to provide France with a single standard of silver, but nature was against them, and by circulating gold the tendency was to exclude their favorite metal from circulation, until war came to the assistance of the financiers, when the ratio of $15\frac{1}{2}$ to 1 became an undervaluation of gold, whereupon gold disappeared and silver constituted the circulation.

Silver was the circulating medium in 1803, and remained so until the great gold discoveries brought a flood of the yellow metal to Europe. Between 1851 and 1853 gold began to appear in the French circulation, and the people, like the people of England in the last decade of the seventeenth century, found it preferable, by reason of its smaller bulk and weight, to the heavy five franc pieces.

This state of things lasted until 1867, when the discovery of the great silver deposits had begun to be made. The Comstock lode was discovered in 1859, but the Belcher bonanza was not found until 1864; the Chollar-Potosi bonanza in 1865; the Hale and Norcross bonanza in 1866. During the period when the gold discoveries were being made the price of silver gradually rose in London from 59 $\frac{1}{2}$ d. per ounce in 1848 to 61 $\frac{3}{8}$ d. in 1864, but it did not fall below 60d. until 1873, when the average price was 59 $\frac{1}{4}$ d.

In the mean time the commercial countries of Europe were coming to the gold standard. The attempt to maintain the single silver standard was about to be abandoned. So much silver was deposited for coinage at the mint of France that the mint could not have performed its expected task in much less than two years. The currency was becoming inflated. Exchanges were disturbed and France was suffering from cheap money. In addition to the silver thrown upon the market by the extraordinary increase of the output of the silver mines of this country, the closing of the German mints to the coinage of silver and the sale of the Government's stores for the purchase of gold needed for the adoption of the gold standard had reduced the price of silver.

Germany abandoned silver in 1871 and adopted the single gold standard. The suspension of silver coinage was followed by the melting down of the old coins and the sale of the bullion. This sale was stopped in 1879. While it was going on the price of silver in London fell from 60 $\frac{1}{2}$ d. in 1871 to 51 $\frac{1}{4}$ d. in 1879. It is undoubtedly true that Germany's demonetization of silver had much to do with this decline in price; but, as has been already shown, a decline had set in six years before 1871.

During that six years silver had gone down only about 1d. on the ounce. While, therefore, the whole decline in price from 1871 to 1879 cannot be charged to the action of Germany, most of it is evidently due to the coinage law of the new empire. Since Germany stopped selling, the price of silver has declined about 20d. and this decline has not been arrested by the two silver purchase laws enacted by the United States.

It is fair to assume that the decline has been partly aided by the closing of the mints of the Latin Union to silver, and by the action of the Austrian Government in deciding to adopt the single gold standard. The Latin Union was formed in 1865. The metallic coinage of Continental Europe was in a most deplorable condition, and the silver countries found themselves, in contrast with Great Britain, at a serious commercial disadvantage. Therefore, France, Belgium and Switzerland formed a union, and they were subsequently joined by Greece and Italy. Silver token coinage was adopted, and, following the English system, it was made legal tender to the amount of 50 francs, equivalent to £2, or \$10.

In 1876 the mints of the Latin Union were closed to the coinage of silver on private account, and while, as had been said, it is fair to assume that this action had some effect on the price of silver, that effect was not great, for the price was 52 $\frac{3}{4}$ d. in 1876, and it was not until 1881 that it fell permanently below 52d. Belgium, acting alone, had already suspended the coinage of silver. Holland followed Germany, suspending the coinage of silver temporarily in 1873 and permanently in 1875. Spain adopted the monetary system of the Latin Union in 1868, but in 1878 determined that silver should be coined on State account only. Austria suspended silver coinage in 1879.

While the fall in the price of silver was inducing the United States to "rehabilitate" that metal by the Allison Purchase act, Europe was adopting the single gold standard.

IV.

IN THE UNITED STATES BEFORE 1873.

The experience of the Government of the United States with bimetallism during the first eighty years of its history was somewhat similar to that of France. It had a theoretical double standard, but was practically monometallic. It was also like that of England in the latter part of the seventeenth century. Its good coin was hoarded and sold abroad, and the coin that circulated was the worn and light foreign coin that came into a country where it was able to procure more than its intrinsic worth.

The first coinage act of this country was passed in 1792. The question of currency at that time seems to have excited merely a languid interest in Congress, and for some time it was doubtful if a mint would be established. The probable cost of its maintenance seemed to be an insuperable objection. The matter of coinage was practically settled by the executive branch of the Government. For once those old and persistent political enemies, Hamilton and Jefferson, came together and decided that both metals should be used and that the ratio should be 15 to 1.

It was the English ratio and the French system coming together. England was examining the coinage question for herself, and had temporarily suspended free coinage of silver, but the people of this country had little commercial experience to instruct them in the consequences of bimetallism, and accepted the double standard because gold and silver had both been the money metals of the world from time immemorial. After a fashion that has not yet gone out of date the people of this country insisted on acquiring their experience for themselves and paying for it.

1792-1834 SILVER MONOMETALLISM UNDER DOUBLE STANDARD.

The coinage act was passed in 1792, but the first silver was actually coined in 1794 and the first gold in 1795. Under the first statute the silver dollar weighed 416 grains, 1,485 parts pure and 179 parts alloy. The fine silver in a dollar was, therefore, then as now, 371.25 grains. The gold eagle weighed 270 grains, 11-12ths fine, so that a gold dollar contained 24.75 grains of fine gold. The ratio established was not the true ratio. Gold was undervalued. An ounce of gold was worth more than 15 ounces of silver; it was worth 15.17 ounces. The new coins, as has been pointed out, did not circulate. The Government itself was largely responsible, for it permitted the cheap and worn foreign coin which came to it in payment of its customs dues to go out into the circulation, once more, to illustrate the truth of Gresham's law. Gold was exported, and quantities of our new eagles were seen in the show windows of European goldsmiths. In 1793 only were the legal and market ratios the same. In 1794 the ratio was 15.37 to 1, and not once so long as the ratio of 15 to 1 prevailed, except in 1793, was gold down to the value fixed by Congress.

Neither the gold nor the silver circulating, the coinage of silver dollars was suspended in 1804, and none were coined again until 1830, when 1,000 were struck off. None were coined after that until 300 were struck off in 1839. Then the coinage went on, but it was 1869 before the number minted in any year reached 400,000, and 1871 before it was 1,000,000. In 1873, the year when silver was demonetized, the mints coined only \$293,600, which measures the desire of the bullion owners of that time for the preservation of silver as a money metal at the ratio of 16 to 1 then prevailing.

Gold entirely disappeared from circulation by 1817, and no gold dollars whatever were coined until 1849, after the discovery of gold in California. The establishment of American coins as circulating currency was a work of great labor,

attended with many difficulties. The early years of the Republic were years of struggle, war and financial distress. After the dissolution of the United States Bank the business of the country was carried on by means of paper currency of more than uncertain value. Specie payments were suspended in 1814, and metallic money was practically unknown.

So disastrous to the material interests of the country was the lack of confidence in the paper currency that in 1816 the money question came up in Congress for discussion. The United States Bank was rechartered, and the right of establishing branches with the privilege of issue was granted to it. After that for a time the country had paper money based upon foreign coin.

Several efforts were made to establish our own coin and to prevent the inroad of foreign coin, but nature insisted on having its own way. A proposition was made to Congress to return to the devices that had been found futile in the reigns of James I. and Charles I., and to prohibit the exportation of American coins. In 1816 and 1819 laws were passed providing that foreign gold coin should not be legal tender in this country, but this accomplished nothing, and in 1823 all foreign gold coins were made receivable for the public lands, while in 1834 an act was passed making the dollars of Mexico, Peru, Chili and Central America and the five-franc piece of France legal tender at their nominal value.

1834-1873 GOLD MONOMETALLISM UNDER DOUBLE STANDARD.

In 1834, foreign gold not being legal tender under the laws of 1816 and 1819, the basis of our circulation was foreign silver and fractional coin. A movement now began in the interest of gold. Like the silver movement of to-day, it was largely protective. The gold mines of North Carolina, discovered in 1801, had begun to yield a generous output in 1828. About the same time gold was discovered in Georgia, and great results were expected. Congress undertook to care for the American gold interest by changing the ratio and by also changing the composition of the gold coin. The ratio was changed from 15 to 1 to 16 to 1. The weight of the silver dollar was changed from 416 to 412.5 grains, but the fine silver in the coin, 371.25 grains, remained unchanged. The fine gold in a dollar of the other metal, however, was reduced from 24.75 to 23.22.

Thus, in the interest of an American industry, the gold dollar, which had been worth under the old law \$1.038, became worth 97½ cents. Silver became the more valuable metal and disappeared from the circulation. At the time when it was demonetized in 1873 a silver dollar was worth \$1.03 in gold coin, or about the same as the gold dollar was worth in 1833. Up to the passage of this law about \$12,000,000 of gold had been coined in this country, chiefly in half eagles. Eagles had not been coined since 1804, and their coinage was not resumed until 1838. Double eagles were not coined until 1850, at the time when the recent gold discoveries had greatly increased the production of the metal. In 1849 an act was passed providing for the coinage of a gold dollar which should contain 25.8 grains of standard gold.

No sooner had the silver dollar been underrated than silver coins began to be exported from this country in large quantities. Silver coin became scarce in the circulation, except the Spanish-American coins with which every one was familiar thirty years ago. So greatly was the market value of silver in excess of its coinage value that the fractional coins began to disappear, and in 1853 our fractional silver was made subsidiary and token money by the reduction of the amount of fine silver in the coins. It was at the same time made legal tender to the value of \$5.

Thus the country continued under a practical gold monometallism, with subsidiary or token silver coins, until the passage of the act of 1873. The silver dollar was not in circulation, because it was too valuable for that use at the existing ratio. It had never been in circulation. The only silver dollars with which the people of

this country were familiar were those of the South American and Central American countries mentioned in the act of 1834.

The act of 1834 may be said to have deliberately driven silver out of circulation and out of use as money, except for small change, because gold was overvalued for that purpose. And yet the price of silver was not affected by that action of the United States, as the following quotations from the London market reports will show :

1833.....	59 3-16d.
1834.....	59 15-16d.
1835.....	59 11-16d.
1836.....	60d.
1837.....	59 9-16d.
1838.....	59 1-2d.
1839.....	60 3-8d.
1840.....	60 3-8d.
1841.....	60 1-16d.
1842.....	59 7-16d.

Silver increased in price, and the increase continued during the years when the output of gold was growing by reason of the discoveries of gold mines in California and Australia. But silver began to fall, as has already been shown, after 1872. In 1873, however, the law that was passed for demonetization merely made statutory a fact that had existed for nearly forty years.

V.

IN THE UNITED STATES SINCE 1873.

When the act of 1873 was passed extraordinary movements affecting currency were going on everywhere. That act has been made altogether too important in the discussion of bimetallism. It was in reality a mere formal declaration of a fact. Silver was not demonetized by it. That was done by the act of 1834 changing the ratio of the two metals and the mount of fine gold in a dollar. The act of 1853 reducing the amount of silver in the fractional currency and making it token money was also a movement strengthening gold monometallism. Not only was the single gold standard the result of the two laws ; it was the declared intention of their movers and advocates to adopt the gold standard in this manner. The silver dollar was not in circulation, because it was worth \$1.03 in gold, and no one made an effort, as by urging a revision of the legal ratio to make it agree with the market ratio, to secure its restoration. The great fall in silver that was to occur shortly had not set in. Therefore when the bill, accompanied by the reports of the Secretary of the Treasury and Mr. John J. Knox, its author, was presented to Congress no comment was made on the fact that the 412½ grain dollar was dropped by it from the silver coinage of the country. The bill simply provided that certain pieces, naming them, should constitute the silver coinage of the United States. The 412½ grain dollar was not included. The trade dollar was authorized, and, by mistake, a legal-tender quality up to \$5 was bestowed upon it as upon the subsidiary coins. Subsequently the mistake was rectified. Really, the trade dollar was not part of the coinage of the country. It was simply a bit of silver weighing 420 grains, stamped by the Government at the expense of the owner of the bullion, to be sold at a profit in Oriental countries.

It has been the fashion of some controversialists to say that the silver dollar was surreptitiously demonetized. History does not sustain the contention, As has been seen from a simple record of the events, silver was demonetized in 1834. But whether the method of passing the act of 1873 was or was not surreptitious has no bearing on the merits of bimetallism or of monometallism. They must stand on a

sounder basis than that or fall altogether. As a matter of fact the bill was before Congress for nearly three years. It was first submitted to the Senate on April 25, 1870, and to the House on June 25. It was debated in the Senate and passed on June 10, 1871, by a vote of 36 to 14. It was debated in the House in 1872 and passed, with amendments, by a vote of 110 to 13. It was passed in the Senate, as amended, Jan. 17, 1873, a conference committee was appointed, and the bill became a law, Feb. 12, 1873. The reports accompanying the bill, especially Mr. Knox's, explained the fact, and the purpose of dropping the silver dollar from the coinage. This fact was therefore brought home to the members, who discussed it, and Mr. William D. Kelley, Chairman of the Committee on Coinage, Weights and Measures, in reporting the bill to the House, said that it had been most carefully and deliberately considered by the committee, who had gone over it "line by line and word by word." Although he subsequently joined the advocates of free coinage, he said on this occasion that "it is impossible to retain the double standard."

All this is interesting as history, but it had nothing to do with the merits of the question. After 1873 and until 1878 the country was not only in fact but in law on a gold basis. Silver had begun to be cheaper, as has already been shown; but it was not until 1876 that the fall had become great enough to arouse the owners of mines and the friends of silver generally to the beginning of a contest.

By 1876 the price of silver in the London market had dropped from 59 1-4d. an ounce in 1873 to 52 3-4d. The causes of this decline open up a very interesting field of investigation and discussion. The demand for gold had been growing since 1849. The production of this metal in twenty-five years from 1851 to 1875 was enormous. The value of the output during that period was \$3,317,625,000 as against a silver product of \$1,395,125,000. Prof. Laughlin, in his "History of Bimetallism in the United States," has shown that this output of gold was a trifle more than the gold product of the 357 years from 1493 to 1850. The price of gold fell, and consequently obtained a still wider circulation as money. It drove silver into the melting pot, and threatened the small change not only of the United States but of Continental Europe. Therefore the Latin Union was formed and the franc was lightened just as our own 50, 25 and 10 cent pieces were lightened. In 1840 the annual production of gold was about \$15,000,000, in 1851 it was \$150,000,000. Between 1852 and 1864 France absorbed \$680,000,000 of gold and sent abroad \$345,000,000 of silver. There was no disposition manifested anywhere to surrender gold and to procure silver in its place. On the contrary, a decided preference was shown for gold, and nowhere more than in France, where, as time went on, silver coins were changed and limited in purchasing power, but gold was left untouched.

In this country the annual product of gold increased from \$889,085 in 1847 to \$10,000,000 in 1848. The next year it was \$40,000,000, the next \$50,000,000, and from then to 1859 it ranged from \$50,000,000 to \$65,000,000. In 1858 the product of silver in the United States was \$500,000. Before then it had never exceeded \$50,000 in a year. It was not until after 1860 that it reached \$2,000,000 a year. From that year it rapidly increased, and in 1873 it was \$35,750,000, while the product of gold for the same period was \$36,000,000. The production of silver increased, and gold about held its own.

Undoubtedly this increase in the supply of silver made the metal cheaper, but there were other causes than the increase of supply to cheapen silver. Alongside with the increase there was a decrease of demand. From 1848 to 1860, when the annual product of gold in this country was increasing from \$10,000,000 to \$50,000,000, \$60,000,000 and \$65,000,000, the product of silver was inconsiderable.

But the price of silver did not materially fall, notwithstanding the increased production of the years immediately following 1860. The highest prices ranged from 60 3-4d. to 61.16. But in 1873 the price of silver fell so much that the average price was 59 1-4d., and in the three following years the

fall was so great that the lowest price in London in 1876 was 46 3-4d. and the highest 58 1-2d. By this time the annual product of silver had grown to be \$91,208,750 as against \$115,756,750 of gold. The interpretation of this is at least that the fall in price did not result wholly from the increase of supply. The demand had a good deal to do with it. Much stress is laid on the new German coinage act and the consequent increase of the supply of silver in the world's bullion market. The fact is that from 1871 to 1876 the German sales of silver did not exceed \$30,000,000. At the same time the German demand for gold for the purpose of establishing the single gold standard was about \$414,000,000. This demand for gold had a greater effect on the price of silver than the sale of the silver coins for bullion. At the same time there was a decreased demand for silver on the Continent. Belgium and Holland had already closed their mints to silver, and the French mints was closed in 1876. India, too, helped the depreciation of the price of silver. Her indebtedness to England temporarily suspended her enormous power for absorbing silver. In 1869-1870 the excess of India imports of silver was \$36,601,685; in 1870-1871 it fell to \$4,709,685; in 1872-1873 it was down to \$3,523,220. It was not back to large figures until 1878. The effect of the decreased demand is shown in our own statistics of exports. In 1871 our total exports of silver amounted to \$31,755,780; in 1876 they were down to \$25,329,252 notwithstanding the greatly increased production, which in the same year advanced from \$23,000,000 to \$38,800,000. Nor did the decline of exportations cease with 1876. In 1882 they were only \$16,829,599, while the silver product of the country had grown to be \$46,800,000.

In addition to the increased supply and the exceptional state of things in India, the fact that silver had generally gone out of use as a standard of value in Europe must be taken into consideration in seeking for the reason of the fall in price in 1876. It was this fall that led to the movement in this country to "rehabilitate" silver. Before this, gold was the native product that appealed successfully to Congress for protection. Now silver was becoming the national metal. In 1876 Colorado was admitted as a State, the enabling act having been passed in 1875. The silver interests thus secured two Senators in Congress. One of the two new Senators was Henry M. Teller, who is still a member of the body, and is an able and experienced advocate of the cause of the free coinage of silver. In 1876 the products of gold and silver were about equal. By 1879 the annual product of silver exceeded in commercial value that of gold, and this excess steadily increased until 1893. There is no doubt, whatever may be said as to causes governing the market prior to 1876, that this rapid increase of silver production since then accounts in great measure for the great fall of price from an average of 53 3-4d. to about 33d.

The movement for the free coinage of silver in 1876 was very brisk. Several bills were introduced in the House for the issue of coin notes and for the re-establishment of the silver dollar. One of these was passed, but received no consideration from the Senate. On Nov. 5, 1877, Mr. Bland introduced a free coinage and unlimited legal-tender silver bill, which was passed, without debate and under suspension of the rules, by a vote of 163 to 34. When the bill reached the Senate it was placed in charge of Mr. Allison, who reported it back from the Finance Committee with important amendments. The bill passed the Senate, Feb. 15, 1878, by a vote of 48 to 21. As it passed it provided for the monthly purchase of not less than \$2,000,000 worth of silver bullion or not more than \$4,000,000 worth "at the market price thereof," the bullion to be coined into 412 1-2 grain dollars. Silver certificates and an international monetary conference were provided for. Free coinage was defeated. After some protest the House concurred in the Senate amendments by a vote of 203 to 72. On Feb. 28 President Hayes vetoed the bill. On the same day both houses passed it over his veto. While the discussion of these measures was in progress Senator Matthews secured the passage of a resolution declaring that the United States might lawfully redeem its bonds in silver

dollars. The result of the passage of this resolution was immediately felt. Our bonds began to come back from Europe. In one week \$10,000,000 of them were thrown upon the market, and the amount sent home was estimated by Mr. Allison to have reached \$100,000,000. We had warning fifteen years ago of what has resulted from the act of 1890.

Under the act of 1878 the Treasury never coined more than \$2,000,000 worth of silver a month. Sometimes the bullion owners demanded more than the market rates, when Secretary Sherman, interpreting the law as Mr. Carlisle has lately interpreted it, declined to make the purchases. The Government found it almost impossible to force the new silver dollars into circulation. The people would not take them. The Clearing-House in New York declined to receive the certificates in settlement of balances, until they were compelled to do so by an act of Congress which forbade national banks from joining an association covered by such a rule. The Government did its best. It paid the cost of transporting the dollars. It discontinued the issue of legal-tender notes of denominations less than five dollars. It issued one, two and five dollar silver certificates, and finally obtained a circulation for the smaller of these.

Fortunately for the country, the surrender of large amounts of national bank currency at this time made a place for the new silver currency, so that all the evil effects of a silver coinage adopted in the face of the action of the commercial world and in antagonism to it were not felt. Under the act of 1878 the Government purchased 291,292,019 ounces of silver, for which it paid \$303,190,262. But out of it the Government issued in coins 378,166,795 silver dollars. The purchases of the Government did not check the rapid decline in the price of silver, as is shown by the following quotations of the average London price per ounce :

1878.....	52 9-16d.	1884.....	50 3-4d.
1879.....	51 1-4d.	1885.....	48 9-16d.
1880.....	52 1-4d.	1886.....	45 3-8d.
1881.....	51 15-16d.	1887.....	44 5-8d.
1882.....	51 13-16d.	1888.....	42 7-8d.
1883.....	50 5-8d.	1889.....	42 11-16d.

The friends of silver were not satisfied. They insisted that the Government should do something more for their favorite metal. On June 17, 1890, the Senate passed a free coinage bill by a vote of 42 to 25. The House did not concur, and there was a compromise measure agreed upon by a conference committee, which became a law, known as the Sherman act. The law required the monthly purchase of 4,500,000 ounces, and the coinage every month of 2,000,000 ounces of the bullion so purchased until July 1, 1891. After that bars were to be coined for the redemption of the legal tender Treasury notes authorized by the act, in the discretion of the Secretary. The act recited further that it was the "established policy of the United States to maintain the two metals on a parity with each other."

The Treasury purchased under the Sherman law 168,674,682 ounces at a cost of \$155,931,002. At 60 cents an ounce this bullion is worth \$101,204,809, a loss to the Government of \$54,726,193.

The operation of the Sherman law was quickly felt. Although there was no free coinage, Gresham's law began to act. Holders of American securities became alarmed lest they would be obliged to accept payment in silver, and a general hoarding and exportation of gold followed. The following table will show the increase of our exports of gold coin and gold bullion :

1888.....	\$34,526,447
1889.....	50,933,460
1890.....	24,063,074
1891.....	79,086,581
1892.....	76,532,056
1893.....	79,775,820
Total.. ..	\$344,917,438

Subtracting imports, there was in these years a net loss of gold to the United States of \$230,234,403.

In the mean time the departure of gold was shown in another way. In January, 1890, of the customs dues received by the Government 92.6 per cent. were paid in gold; in December 88.3 per cent. was in gold. In December, 1891, the amount of gold received for customs dues had fallen to 65.4 per cent.; in January, 1893, only 8.9 per cent. was paid in gold; and though the hoarded gold forced from the bank vaults by the currency famine of 1893 temporarily swelled the gold receipts from customs, the proportion in January, 1894, was but 17.6 per cent.; from which it rapidly dwindled, until in October and November, 1894, gold receipts had entirely ceased.

The business distress which followed the loss of confidence in our securities and inevitably in each other, and in everything else that usually commands the respect of business men, is still upon us.

VI.

RECENT DEVELOPMENTS.

Congress was called together in the summer of 1893 for the purpose of repealing the Sherman act. After many vexatious delays, involving disaster and loss to the business interests of the country, a bill was passed unconditionally repealing the purchasing clause of the law. In the meantime, June 26, 1893, the Indian mints were closed to the free coinage of silver. While the effect on the monetary and commercial relations of India has not been what the authors of the act expected, the immediate result was a panic in silver. The price fell at once in London, reaching 30½d., the lowest point ever touched up to that date. This was in June. In July the price rose to 32¼d., but in December it was down to 31½d. in London and 70.25 cents an ounce in New York. Silver is now (January 1, 1895) selling at 27⅞d. in London, and at 59¾ cents an ounce in New York, and in the meantime the production of gold has enormously increased. In the calendar year of 1893 it was the largest known in the history of gold mining, the output being valued at \$155,522,000. It is expected that the gold output for 1894 will be larger than that of 1893 by some \$20,000,000, which will make it more than equal to the rate of gold and silver output of 1861-1865, and that the increase will continue indefinitely. In other words, the world will soon have as much gold as a basis of value as it had of both gold and silver together in the days before the act of 1873 was passed, before Germany was on a gold basis, and when the Latin Union was trying to keep the two unequal metals in parity.

VII.

A CENTURY'S STRUGGLE NOW ENDED.

These developments raise the point as to whether the whole question of bimetallism, as compared with a single standard either of gold or silver, is not being satisfactorily answered by the course of events outside of legislation. Whatever may have been the case in earlier periods, when governments were comparatively isolated, but practically omnipotent in influencing trade conditions within their respective boundaries, the developments of the last half century—in breaking down international barriers, in the increasing dependence of governments upon the conditions of finance and commerce, in the unexampled development of international as compared with local concerns—have

practically arrived at a point where laws are as powerless to affect the tides of commerce as are imaginary boundary lines to limit the climates or change the natural relations of the territories through which they run. In other words, in the essential matters of currency, commerce has become all-powerful. From now on the offices of legislation are two—either so to adapt the administrative functions of government as to effectuate the rapidly developing unwritten law of commerce, and thus to keep a people at the very forefront of civilization ; or, either to refuse thus to serve it, or to obstruct it in serving itself, thereby keeping it at an increasing disadvantage.

It is, therefore, not to legislative but to commercial development that we must look for the signs which are to frame our expectations. These are marked and uniform in suggestion.

Fifty years ago the world's aggregate of coined money, silver and gold, was probably a fair supply for commerce as it then existed. Since then the question of supply and demand for coin currency has been vitally affected by three factors, namely :

(1.) The development of facilities for communication, greater since 1840 than from the time of Abraham to that date, and the later corresponding development of commercial expedients ; which have reduced the absolute amount of coin necessary for a given amount of exchanges.

(2.) Discoveries of new deposits and cheapening of gold and silver production in America, Australia and Africa ; which have been such in the last half century as to add to our supply of these metals a greater amount than had been secured in a thousand years before.

(3.) The increasing (now almost universal) extent to which the use of silver as a basis for currency has been renounced by one nation after another.

Of course it must be remembered that in the case of a comparatively indestructible product, such as gold or silver, the world's stock on hand is so great as to permit its value to be affected but slowly by any increase in the annual production. But, even after all allowance has been made for this, during the earlier part of the last half century, while the first and second of the above suggested causes were in more active operation than was the third, the actual result was the inevitable one. The demand for gold and silver decreased greatly when compared with their rapidly increasing supply, and both were cheapened when compared with the price of labor, measured by the product in any direction of a given quantity of it.

During the last twenty-five years, however, the third factor has come so rapidly to the front that the civilized world (practically the whole world, so far as concerns commercial conditions) is now conducting its business upon the basis of gold alone.

As a consequence—though it is in large measure masked by coincident development of production and transport facilities—there has resulted, if not an absolute appreciation in the value of gold, at least a decided check to its depreciation when compared with that of labor, to which the experience of the preceding quarter century had accustomed us. In spite of the vast amount of ingenuity and research that had been lavished upon the subject, it is not easy to decide whether gold has appreciated. It is certain, however, that as compared with any measure of human effort its price has not of late depreciated at anything like the rate either of its own depreciation in the earlier part of the last fifty years epoch, or of the depreciation which has so generally characterized other products of industry.

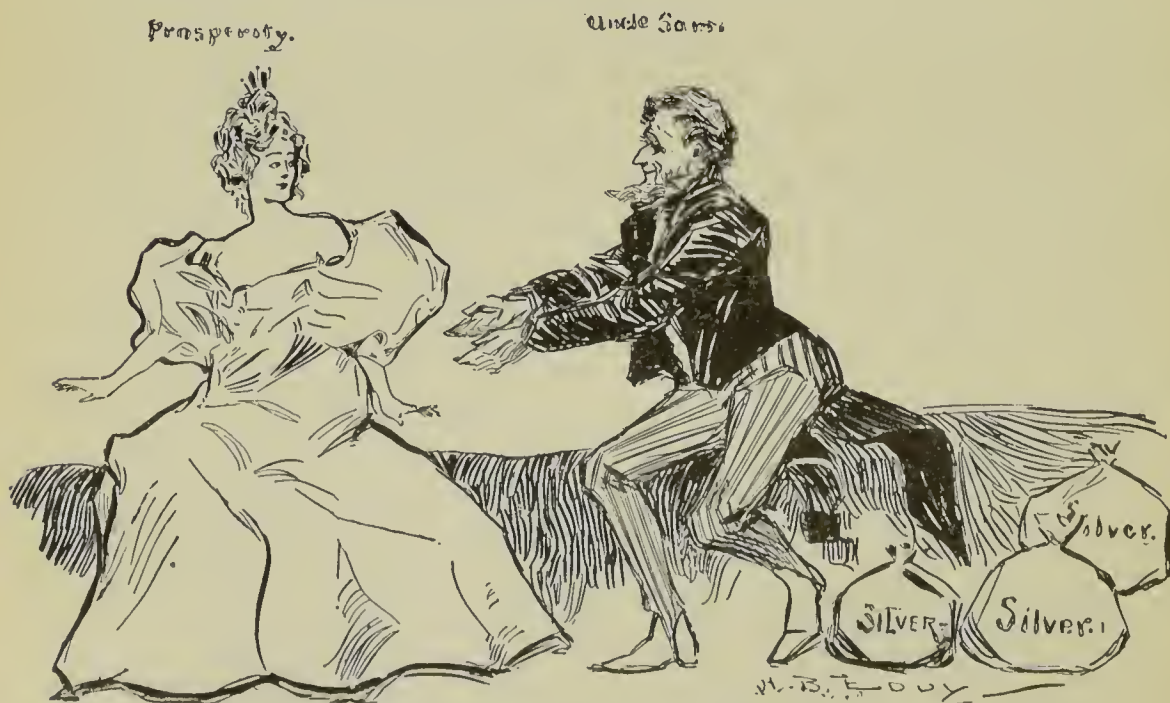
Were this all, there might be a serious question—especially in view of the universal enmeshment in debt of individuals, municipalities and nations—as to the extent to which this comparative appreciation of gold should be tolerated ; and it is fortunate that the course of events assures a solution which, apparently, we may

confidently expect without taking the responsibility of intermeddling with matters beyond our control.

The movement, which commenced in earnest as nearly as may be one hundred years ago, for the discarding of silver as a money metal, is now practically complete, having circled the commercial globe. Its incalculable force in tending steadily to depress the price of silver and appreciate that of gold is, therefore, practically spent; and we are relegated, as a basis for calculation as to the future, to the effect of the other causes noted, both of which are still in full operation. Commercial developments are still lessening the amount of metal required to facilitate a given quantity of exchanges; and the annual production of gold has of late so rapidly increased as to promise for the year 1895 a greater output of that metal alone than of both combined during any four years before 1850. Indeed, the rate of increase of gold production during the last two years—due apparently to causes which must continue until the world's supply of gold shall be materially increased from its present proportion to the demand therefor—has been such that, if continued until 1900, it will have added, in gold alone, to our stock of precious metals, during this decade, more than the production of both silver and gold for any ten years previous to 1890.

It seems, therefore, clear, first, that the last quarter century has been that in which has culminated a world-wide movement to displace silver and appreciate, comparatively, the commercial value of gold; that the operation of this cause is not merely practically at an end, but that its workings have coincided with and set in motion compensating forces; as a result of which the value of gold must henceforth steadily depreciate, as a consequence of the steadily increasing proportion which its supply from this time on will bear to the world's demand for its use—even assuming that the world's finances are hereafter to be conducted upon a strictly monometallic basis—that of gold.

UNCLE SAM'S WOOING.



PROSPERITY—"I want a gold engagement ring: a silver one won't do."

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Each number contains a **special discussion** of some Sound Currency question.

“The events which have happened for some time past in the relations of the precious metals have brought to a head the monetary question amongst us, although from 1815 Great Britain has laid down principles which have attracted round her an ever-increasing circle of nations.

“The theory of the double standard, on which our monetary law of the year XI. (1803) reposes, has been called in question ever since its origin.

*“It is, to our conception, less a theory than the result of the primitive inability of the legislators to combine together the two precious metals otherwise than by way of an unlimited concurrence—metals, both of which are destined to enter into the monetary system, but which recent legislators have learned to co-ordinate by leaving the unlimited function to gold alone and reducing silver to the rôle of divisional money. From 1857 the French Government has studied the question, and it may be stated that since that date the principle of the gold standard has won increasing favor through our several administrations. * * **

“If from 1874 certain precautions had not been taken to arrest the efforts of that grave perturbation in the ratio, France and her monetary allies would have seen their monetary circulation invaded by silver and correspondingly drained of gold.”—Preamble, French Monetary Law of 1876.

“BIMETALLISM” IN FRANCE.*

W. A. SHAW.

MONETARY ACTION OF REPUBLICAN FRANCE.....	472
ADOPTION OF THE SILVER FRANC AS THE MONETARY UNIT	472
THE RATIO BETWEEN GOLD AND SILVER FIXED AT 15½ TO 1.....	472
THE LAW OF 1803.....	472
SLOW DEVELOPMENT OF NEW COINAGE SYSTEM.....	473
‘BIMETALLIC’ EXPERIENCE.....	474
COMMERCIAL RATIOS NOT STEADIED.....	474
REAL BIMETALLISM NEVER SECURED.....	474
MOVEMENTS AND MINTINGS OF METALS	474
IMPORTS AND EXPORTS OF GOLD AND SILVER.....	475
COINAGE OF GOLD AND SILVER.....	478
FRENCH MONETARY COMMISSIONS.....	479
THE COMMISSION OF 1867	479
THE LATIN UNION.....	48
THE MINT CONVENTION OF 1878.....	4
SUMMARY	4

* This pamphlet is published by courtesy of G. P. Putnam’s Sons, owners of the copy; publishers of “The History of Currency, 1252-1894,” by W. A. Shaw, from which this extract is taken.

“BIMETALLISM” IN FRANCE.

(The Sound Currency Committee feels that no apology is needed for including this as one of the very few reprints in its series. Mr. Shaw's book was as thorough as it was timely; and has already become a classic, generally accepted as an authority on the subject which it treats; while the chapter here given has practically closed a discussion which but lately seemed good for years to come.)

MONETARY ACTION OF REPUBLICAN FRANCE.

Republican France began her reform of the currency in a very temporary and opportunist manner by issuing a mass of inferior monies of 15 and 30 sous pieces to form the basis of the assignats, and to replace the gold and silver which had almost entirely disappeared from circulation. In the decree of 16 Vendémiaire an II. (7th October, 1793), however, the question of standard was approached and decided in a remarkable manner. The monetary unit was decreed to consist of the hundredth part of a kilogram, named *grave*, represented (1) by a piece of silver $\frac{9}{10}$ fine and weighing 10 grms.; (2) by a piece of gold of the same weight and standard, to be current at fifteen times the value of the silver piece.

ADOPTION OF THE SILVER FRANC AS THE MONETARY UNIT (1795).

This decree remained a dead letter, and two years later the *franc* was definitely adopted as the base of the French system. As determined by the two laws of 28 Thermidor an III. (15th August, 1795), that system was based upon the silver franc (weighing 5 grms., $\frac{9}{10}$ fine). A gold coinage was ordained, of the same fineness, in a piece of 10 grms. weight, but the ratio of value of the gold to the unit franc was not fixed. This was exactly the monetary system which Mirabeau had counselled in his memoirs to the Assembly in 1790. The silver 5-franc pieces prescribed under this system found acceptance, the bronze pieces were refused and had to be withdrawn, and as to the gold piece, its issue was not even attempted. Two years later the “Directoire” pronounced in favor of maintaining the 10-grm. piece of gold, but demanded the fixation of its value, proposing a ratio of 16:1. In opposition to this scheme, Prieur submitted to the “Council of the Five Hundred” a project adopting the silver and gold coinage, as already determined as above, but leaving the value of the gold piece to fluctuate according to the market, its value being declared twice annually by public announcement. After being materially altered in the “Council of the Five Hundred” this scheme was definitively rejected by the “Council of Senators,” and for several years the question of the monetary system of the Republic was allowed to slumber. When, in the year x., the consideration of the subject was resumed, it was at the instigation of the Consuls.

THE RATIO BETWEEN GOLD AND SILVER FIXED AT 15½ TO 1.

At their desire the Minister of Finance, Gaudin, laid before the Council of State a scheme in which he proposed the issue of 20 and 40-franc gold pieces of a value based on the ratio enunciated in the edict of 1785, namely, 15½. He was, at the same time, careful to explain that silver remained the basis of the currency, and that the gold money could be reissued if a different market compelled a change in the ratio. In his report to the Consuls, Gaudin admits that the commercial ratio had for a long time been under 15. The decisive point which led him to maintain the ratio established in 1785 was, that to change the *status quo* by the adoption of 15 as a ratio would occasion great loss to the holder of gold coins, and that there was no sufficient reason for so great a change.

THE LAW OF 1803.

The Financial Committee of the Council of State at first rejected the scheme, preferring that of Prieur, already described, but on an inquest, ordered by the First Consul, who insisted on pressing the matter to a conclusion, M. Gaudin carried his propositions through the Council of State, but with the important difference that the reference to any future change in the ratio of gold to the basis of silver was tacitly dropped. These propositions became the foundation of the law of 7-17 Germinal an XI. (28th March, 1803), on which the monetary system of Republican France was finally built.

The *exposé des motifs* of this law speaks of the gold coins in these words :

“ The gold pieces up to the present in circulation are the pieces of 24 and 48 livres tournois. Article 6 of this law substitutes in their place pieces of 20 and 40 francs. The adoption of the decimal system necessitates this change, which brings all parts of the system into accord. It is on the same consideration that the standard is fixed at $\frac{9}{10}$, like that of silver.”

Not a word is said as to the ratio, and much more stress is laid upon the suppression of billon money and on the abolition of seigniorage, as of greater importance and benefit to the nation's interests. By this law of Germinal XI. the monetary unit of the French system was declared to be the silver franc, weighing 5 grms. of $\frac{9}{10}$ standard. By the side of this franc and its multiples, were to be issued gold pieces of 20 and 40 francs, valued on a basis ratio of $15\frac{1}{2}$ to the silver.

SLOW DEVELOPMENT OF NEW COINAGE SYSTEM.

It will be seen at a glance from the course of this previous history that this law instituted no new principle, or theory, or system in French currency. The decimal system was adopted in place of the old system of livres tournois, seigniorage was abolished, and fixation of value given to the unit money, and billon money discontinued. But in matter of standard and system there was not even innovation. The system of Republican France, as established by this law, was no more and no less bimetallic than in 1785, or than in 1610, or in the days of Francis I. Theories as such did not occupy the mind of the legislator, and of any conception of a bimetallic theory or system such as we have learned to know, there is no trace. The First Consul found at hand the two metals which had formed the currency of his country for centuries. The problem of their regulation was the same which had been faced by his predecessors for centuries, and he settled it in the same practical untheoretic way.

It was only gradually that in its totality of coins the French monetary system was made to conform to the metric system thus established. The old gold coins of 12, 24 and 48 livres were not suppressed until June, 1829 ; the actual extinction of billon money was only accomplished in 1845, and the recoinage of the inferior monies in 1852-56. But such are mere matters of detail and apart from the subject.

The experience of France under this new régime is, therefore, in no wise different *in kind* from such experience as has been described for the preceding centuries. It is not until the broaching of a bimetallic theory, as such, and until the expression of that theory, as a theory, in the formation of the Latin Union, that anything like a special significance attaches to the monetary system and experience of France in the nineteenth century, any more, *e. g.*, than in the seventeenth. The main difference in the situation was not that France had changed her system, and that her experience was henceforth different and of different signification, but that England had changed hers, and that the brunt of the fluctuations of the precious metals about a fixed ratio was left to be borne by a smaller area. The influence and the instance is, therefore, more telling in degree, but in no way different in kind.

The second idea which is commonly entertained with regard to the action of France during this later period, viz., that her action secured for the world at large a fixed and steady ratio, is equally—indeed, still more—fallacious. At no point of time during the present century has the actual market ratio, dependent on the commercial value of silver, corresponded with the French ratio of $15\frac{1}{2}$, and at no point of time has France been free from the disastrous influence of that want of correspondence between the legal and the commercial ratio. The opposite notion, which prevails and finds expression in the ephemeral bimetallic literature of to-day, is simply due to ignorance. From 1815 England has been withdrawn from this action of a bimetallic law, and the modern insular pamphleteer has before his eyes no sign of its workings in his own country. He therefore assumes an universality of such experience, and attributes it to the French legislative ratio. It is in no polemic spirit, but simply in the interest of science, that this particular misapplication of history to the squaring of a theory is to be branded. The plainest facts of history are thereby absolutely misrepresented, and the assumption of cause and effect is so far from being true that the repose of the English currency history in the nineteenth century is

to be attributed to the *absence* of a bimetallic system ; to its despite, rather than its presence and influence. To instance only by France for the moment.

BIMETALLIC EXPERIENCE, 1803-1878.

The course of the actual or market ratio has been taken from Hamburg prices from 1832 ; from 1833 onwards from the London bullion brokers' ratio. In the graphic representation of this (*following*) the legal ratio of $15\frac{1}{2}$ is represented by the fixed line **X Y**, the actual ratio by the fluctuating solid black line.

COMMERCIAL RATIOS NOT STEADIED.

At no point do these lines coincide. After three years of fluctuations—1803-06—now above and now below, the ratio sinks persistently below for seven years—1807-13—touching the lowest point (a ratio of 16.24) in 1813. For the succeeding five or six years—1813-19—the ratio was as consistently above the legal rate, though with less violence and width of divergence. From the latter year, 1819, up to 1850, its course was undeviatingly below $15\frac{1}{2}$; then from 1851-67—the period, *i. e.*, of the great gold outputs of Australia and America—as undeviatingly above. From the last-named date until the close of the bimetallic system in France, and, indeed, up to our own days, the course of the commercial ratio has been again unbrokenly below the $15\frac{1}{2}$ ratio, and, as is too well known, with an ever-increasing enormity of divergence.

So much for the claim that the French law has dowered the world with a steady ratio.

REAL BIMETALLISM NEVER SECURED.

Secondly, what has been the influence of this divergence of the commercial from the legal ratio upon France's store of precious metals ? It has been exactly similar in effect and force with that wielded by similar trains of event and circumstance in the monetary history of France during the four preceding centuries. The exact official figures of the import and export of gold and silver are not obtainable before 1822, and in a continuous stream not before 1830 (separably for the two metals, that is to say.)¹

MOVEMENTS AND MINTINGS OF METALS.

From the latter date, however, the testimony of the figures is as explicit as it is forceful. From 1830 to 1850, while the ratio remained continually below the legal $15\frac{1}{2}$, there was a profit on the import of silver, and a persistent and heavy import took place. In 1830 the (balance of the) silver imported amounted to a matter of 6 millions sterling ; in 1831, to $7\frac{1}{4}$ millions ; in 1834, to 4 millions ; in 1837, to over $5\frac{1}{2}$ millions ; in 1838, to nearly 5 millions ; in 1841, to nearly 5 millions ; in 1843, over 4 millions ; in 1848, to over $8\frac{1}{2}$ millions, and in 1849, to nearly 10 millions. There was not a single year that was not accompanied by this import, and over the whole twenty-two years the total of importations reached the enormous figure of, approximately, 92 millions sterling. It must be clearly understood that this sum represents, not the gross, but the net importation or balance of imports over exports, and that the money passed into the currency of the country, taking its place as such and displacing gold *pari passu*. The movement of gold in the same time is represented by the dash line in the accompanying diagram. Within the limits of very considerable exceptions, the correspondence of its fluctuations with those of silver is clearly perceptible. The silver, on whose coinage a profit or premium was offered by the existing French law to individuals, could only be bought or paid for by the export of gold or services and goods. During these years, 1830-50, it was quite apparently by the latter method, namely, by remittance of goods, as on the whole period there is a slight gain of gold—nearly 3 millions—contrary to what bimetallic law would have led to expect. The correspondence, however—a simultaneity—of the two movements, of import of silver and export of gold, is strongly marked in the years 1834-39 and 1841-48, and the failure of correspondence of the totals is to be explained by the statistics of French foreign-trade balances during the years named.

1. The returns for the years 1825-29 give no separate figures for gold and for silver, but give only the total of the two together.

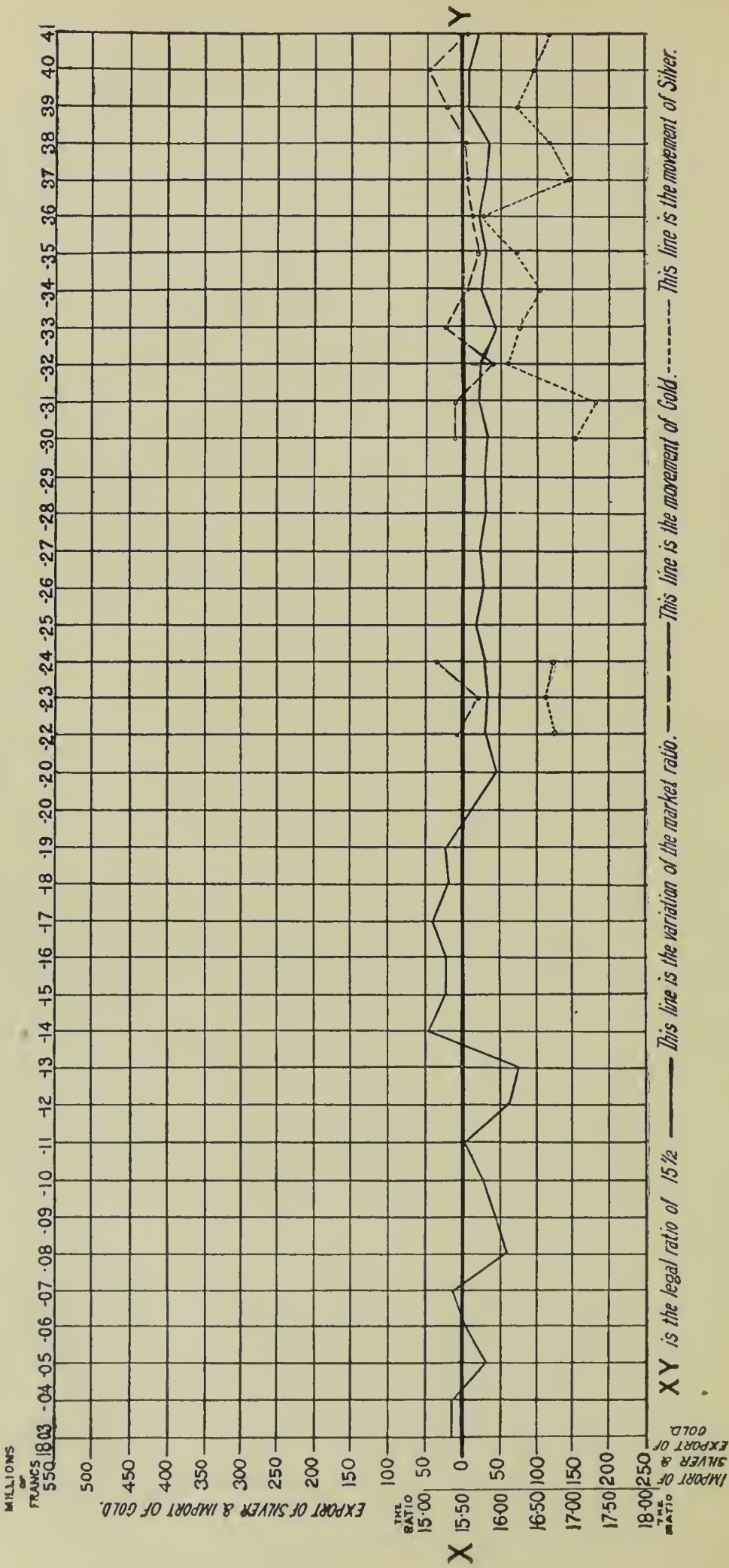
With the year 1852, the decisive change in the ratio sets in with the new gold influx. The ratio rises above the 15.5 of the French law, and the profit on the importation and coining of silver vanishes. Its place is taken by a corresponding profit on the importation and coinage of gold. The fourteen years during which the ratio remained above the legal 15½ witnessed the importation into France of a total net (or balance) of gold to the amount of 135 millions sterling, and a total net or balance of exportation of silver of 66½ millions sterling. The coincidence of actual fluctuation will best be seen by the graphic representation of it in the table. With 1865 the final, and, so far as the nineteenth century is concerned, the fatal change of the commercial ratio sets in. It sinks persistently and increasingly below the legal 15½, in face and spite of the united meetings of the Latin Union, and at once the premium on the importation and coinage of gold changes into one on silver. From 1865 to 1875, one year before the abandonment of the coinage of the 5-franc piece and the consequent relinquishment by France of the bimetallic system, her net imports of silver amounted to 56 millions sterling.

As far as these figures of import and export are concerned, they show only the *final* results of the action of bimetallic law. The metal on whose importation and minting a premium was obtainable *was* imported, and in large quantities. That is the single fact standing out in large. The reciprocal fact—of a corresponding export of the metal over whose head the premium offered—does not emerge so distinctly, simply by reason of the complication of the subject of exports of metals with the wider general movement of trade balances. It also is, however, distinctly perceptible and demonstrable. But this is to speak only in large and of final results. What the intermediate course of events—of *see-saw* and flux—was, can only be adequately grasped from the records of the mintings, conjoined with the records of net import or export of the two metals.

TABLE OF THE NET IMPORTS OR EXPORTS OF GOLD IN FRANCE UNDER THE
BIMETALLIC LAW, 1822-75.

YEAR.	NET IMPORT (Francs).	NET EXPORT (Francs).	YEAR.	NET IMPORT (Francs).	NET EXPORT (Francs).
1822.....	4,000,000	.....	1852.....	17,000,000	.....
1823.....	.....	19,000,000	1853.....	289,000,000	.....
1824.....	37,000,000	.....	1854.....	416,000,000	.....
1830.....	10,000,000	.....	1855.....	218,000,000	.....
1831.....	10,000,000	.....	1856.....	375,000,000	.....
1832.....	.....	39,000,000	1857.....	446,000,000	.....
1833.....	24,000,000	.....	1858.....	488,000,000	.....
1834.....	.....	7,000,000	1859.....	539,000,000	.....
1835.....	.....	20,000,000	1860.....	311,000,000	.....
1836.....	.....	14,000,000	1861.....	.....	24,000,000
1837.....	.....	6,000,000	1862.....	165,000,000	.....
1838.....	.....	4,000,000	1863.....	12,000,000	.....
1839.....	24,000,000	.....	1864.....	125,000,000	.....
1840.....	49,000,000	.....	1865.....	150,000,000	.....
1841.....	.....	5,000,000	1866.....	465,000,000	.....
1842.....	.....	12,000,000	1867.....	409,000,000	.....
1843.....	.....	41,000,000	1868.....	212,000,000	.....
1844.....	.....	6,000,000	1869.....	275,000,000	.....
1845.....	.....	14,000,000	1870.....	119,000,000	.....
1846.....	.....	9,000,000	1871.....	.....	214,000,000
1847.....	.....	13,000,000	1872.....	.....	53,000,000
1848.....	38,000,000	.....	1873.....	.....	108,000,000
1849.....	6,000,000	.....	1874.....	431,000,000	.....
1850.....	17,000,000	.....	1875.....	454,000,000	.....
1851.....	85,000,000	.....	.....	.....	.....

GRAPHIC REPRESENTATION OF THE BIMETALLIC EXPERIENCE OF FRANCE FROM 1803 TO THE CLOSING OF THE MINT TO THE FREE COINAGE OF SILVER IN 1875. (Pt. I., 1803-1841.)



GRAPHIC REPRESENTATION OF THE BIMETALLIC EXPERIENCE OF FRANCE FROM 1803 TO THE CLOSING OF THE MINT TO THE FREE COINAGE OF SILVER IN 1875. (Pt. II., 1841-1878.)

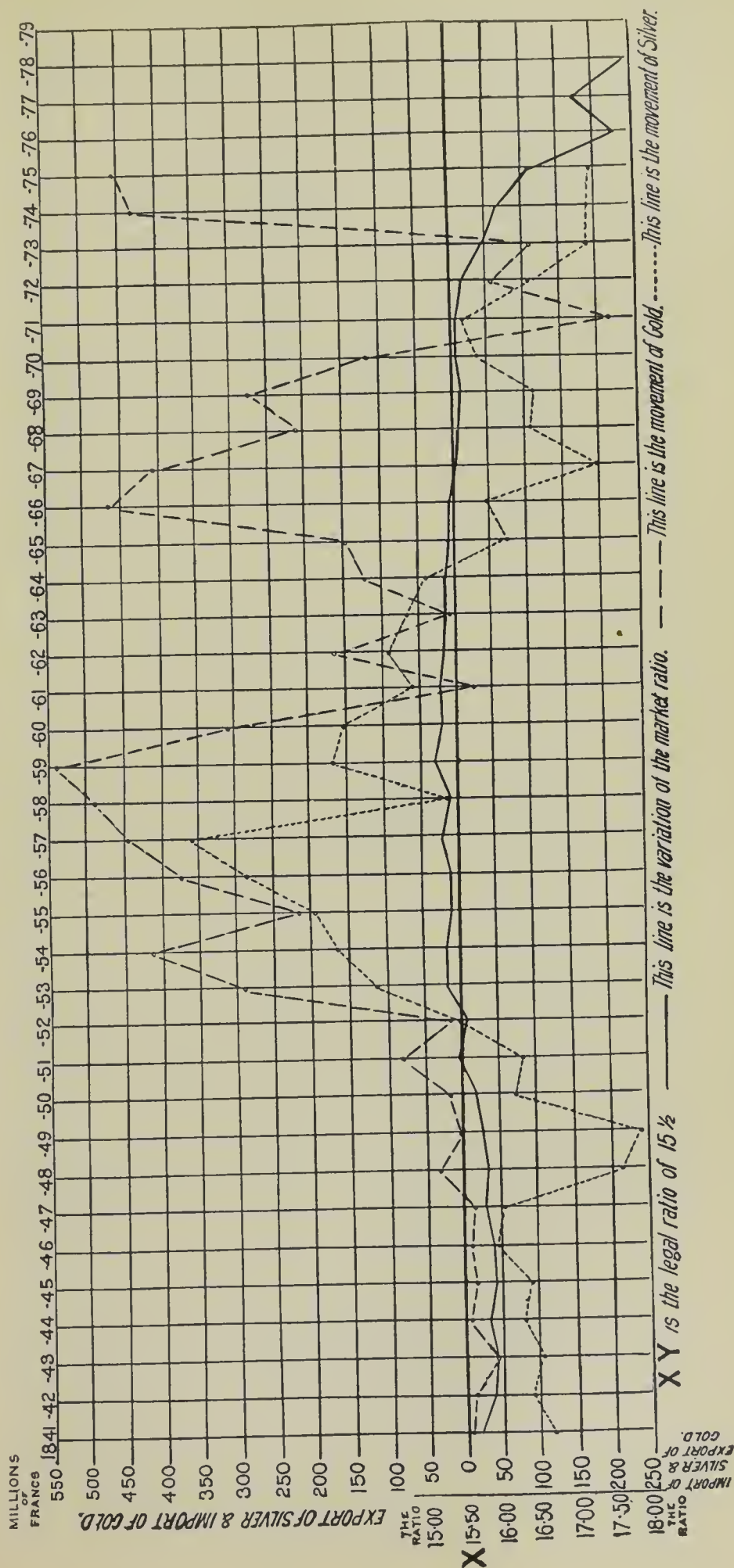


TABLE OF THE MOVEMENT OF SILVER DURING THE SAME PERIOD.

YEAR.	NET IMPORT (Francs).	NET EXPORTS (Francs).	YEAR.	NET IMPORT (Francs).	NET EXPORT (Francs).
1822.....	125,000,000	.....	1852.....	.....	3,000,000
1823.....	114,000,000	.....	1853.....	.....	117,000,000
1824.....	124,000,000	.....	1854.....	.....	164,000,000
1830.....	151,000,000	.....	1855.....	.....	197,000,000
1831.....	181,000,000	.....	1856.....	.....	284,000,000
1832.....	60,000,000	.....	1857.....	.....	360,000,000
1833.....	75,000,000	.....	1858.....	.....	15,000,000
1834.....	101,000,000	.....	1859.....	.....	171,000,000
1835.....	74,000,000	.....	1860.....	.....	157,000,000
1836.....	27,000,000	.....	1861.....	.....	62,000,000
1837.....	144,000,000	.....	1862.....	.....	86,000,000
1838.....	120,000,000	.....	1863.....	.....	68,000,000
1839.....	75,000,000	.....	1864.....	.....	42,000,000
1840.....	96,000,000	.....	1865.....	72,000,000	.....
1841.....	117,000,000	.....	1866.....	45,000,000	.....
1842.....	92,000,000	.....	1867.....	189,000,000	.....
1843.....	103,000,000	.....	1868.....	109,000,000	.....
1844.....	82,000,000	.....	1869.....	112,000,000	.....
1845.....	90,000,000	.....	1870.....	35,000,000	.....
1846.....	47,000,000	.....	1871.....	15,000,000	.....
1847.....	53,000,000	.....	1872.....	102,000,000	.....
1848.....	214,000,000	.....	1873.....	181,000,000	.....
1849.....	244,000,000	.....	1874.....	360,000,000	.....
1850.....	73,000,000	.....	1875.....	194,000,000	.....
1851.....	78,000,000	.....		

TABLE OF THE COINAGE OF GOLD AND SILVER IN FRANCE, 1803-75, DURING THE BIMETALLIC REGIME.

YEAR.	GOLD (Francs).	SILVER (Francs).	YEAR.	GOLD (Francs).	SILVER (Francs).
1803.....	10,209,840	23,171,988	1840.....	40,998,240	63,795,527
1804.....	38,463,980	47,517,195	1841.....	12,375,060	77,517,941
1805.....	20,474,500	46,385,909	1842.....	1,852,720	68,391,170
1806.....	38,533,760	25,241,651	1843.....	2,826,600	74,148,998
1807.....	18,019,920	5,008,903	1844.....	2,742,260	69,134,980
1808.....	32,311,260	67,833,922	1845.....	119,140	89,967,609
1809.....	15,206,440	44,295,494	1846.....	2,086,420	47,886,145
1810.....	46,070,600	57,170,216	1847.....	7,706,027	78,285,157
1811.....	132,135,740	256,399,040	1848.....	39,697,740	119,731,095
1812.....	97,717,880	160,786,409	1849.....	27,109,560	206,548,663
1813.....	62,659,680	134,900,313	1850.....	85,192,390	86,458,485
1814.....	64,544,720	61,244,121	1851.....	269,709,570	59,327,308
1815.....	55,379,840	37,673,806	1852.....	27,028,270	71,918,445
1816.....	15,151,280	34,917,526	1853.....	312,964,030	20,099,488
1817.....	52,197,080	37,143,579	1854.....	526,528,200	2,123,887
1818.....	95,410,460	12,406,076	1855.....	447,427,820	25,500,305
1819.....	52,410,660	21,235,077	1856.....	508,281,995	54,422,214
1820.....	28,781,080	18,436,620	1857.....	572,561,225	3,809,611
1821.....	404,140	67,533,866	1858.....	488,689,635	8,663,568
1822.....	4,718,100	100,679,137	1859.....	702,697,790	8,401,813
1823.....	408,180	82,911,680	1860.....	428,452,425	8,034,198
1824.....	7,071,700	114,476,007	1861.....	98,216,400	2,518,049
1825.....	45,616,360	75,203,291	1862.....	214,241,980	2,519,397
1826.....	925,540	90,835,623	1863.....	210,230,640	329,610
1827.....	3,160,940	153,868,978	1864.....	273,843,765	7,296,609
1828.....	8,025,740	161,466,133	1865.....	161,886,835	9,222,394
1829.....	1,118,180	102,642,617	1866.....	365,082,925	44,821,409
1830.....	23,516,640	120,187,089	1867.....	198,579,510	113,758,539
1831.....	49,641,380	205,223,764	1868.....	340,076,685	129,445,268
1832.....	2,046,260	141,353,915	1869.....	234,186,190	68,175,897
1833.....	16,799,780	157,482,863	1870.....	55,394,800	69,051,256
1834.....	30,231,200	218,288,304	1871.....	50,169,880	23,878,499
1835.....	4,550,060	99,966,149	1872.....	.....	26,838,369
1836.....	5,097,040	43,242,399	1873.....	.....	156,270,160
1837.....	2,026,740	111,858,697	1874.....	24,319,700	60,609,988
1838.....	4,910,140	88,489,324	1875.....	234,912,000	75,000,000
1839.....	20,670,000	73,637,742			

During the years 1820-50, when the ratio remained below the legal $15\frac{1}{2}$ and there was a profit on the import of silver, the total silver coinage of the French Mint amounted to £127,458,322, while that of gold reached only £19,333,854. In the succeeding period, 1850-66, when the ratio changed and remained for fifteen or sixteen years in favor of gold, the total gold coinage reached £292,416,951, while the total silver coinage was scarcely more than one and one-quarter millions (£1,315,532).

At the beginning of this second period, 1851, the Bank of France held in its reserves approximately only $3\frac{1}{2}$ millions sterling of gold, whereas its silver amounted to more than 19 millions. At the close of the period indicated, 1866, the bank was holding 23 millions sterling of gold against nearly $5\frac{1}{2}$ millions of silver. In the former case the proportion of silver formed 85 per cent. of the total, in the latter only 19 per cent.

TABLE OF THE RESERVES OF THE BANK OF FRANCE, 1851-76.

YEAR.	GOLD. (Million Francs).	SILVER. (Million Francs).	PER CENT. OF SILVER TO TOTAL.	YEAR.	GOLD. (Million Francs).	SILVER. (Million Francs).	PER CENT. OF SILVER TO TOTAL.
1851.....	83	478	85	1864.....	273	94	27
1852.....	69	442	86	1865.....	238	208	41
1853.....	102	214	67	1866.....	576	136	19
1854.....	301	193	39	1867.....	697	318	31
1855.....	72	147	66	1868.....	662	474	42
1856.....	94	104	53	1869.....	461	798	63
1857.....	110	126	52	1870.....	429	69	14
1858.....	294	260	47	1871.....	554	80	13
1859.....	250	329	56	1872.....	656	134	17
1860.....	144	272	65	1873.....	611	148	19
1861.....	225	100	30	1874.....	1013	314	24
1862.....	187	108	36	1875.....	1168	504	30
1863.....	119	72	37	1876.....	1349	540	28½

The statistics of the Latin Union, up to the suspension of the bimetallic system will be separately dealt with.

Speaking only of the experience of France during these years of bimetallic régime the ebbing and flowing experience which has throughout been instanced as the chief characteristic of such régime is most strongly marked. The legal ratio did not give the market ratio, and so far was it from giving France a stable currency, it was the one thing which unsettled it and made a stable currency impossible. The *expose des motifs* of the law of 1876, which will be referred to in another connection below, puts the matter with official brevity. "The variations of the commercial from legal $15\frac{1}{2}$ ratio remained normal during the years 1824-67. All the same they sufficed to modify greatly the composition of the French circulation. After the predominance of silver, which became marked in 1847, the ratio from 1847-67 introduced gold in a large proportion, and measures had to be taken to retain in France the smaller silver coinage. Our silver *Monnaie d'appoint* of .835 fine was created for this purpose."

To regard this question from a theoretic and international point of view, to the exclusion of any regard for the separate national interests of France, is a sheer absurdity. It mattered little or nothing to France that by unloading the stores of silver she happened to possess at the time of the gold discoveries of the fifties she helped to steady the ratio for the world at large. It did, however, matter, and very much, that this process of exchange from the one metal to the other was attended with public loss, balanced only by illicit private gain, and with a disturbance of trade in every town of France through the disappearance of the smaller silver specie. Whether or not France or any other country is called upon to sacrifice herself thus—not once but every time the ratio fluctuates from below to above the legal ratio or vice versa, for the sake of an ideal, bimetallic, regulating, function—let common sense decide.

FRENCH MONETARY COMMISSIONS.

THE COMMISSION OF 1867.

The French monetary commission of 1867 speaks thus of the situation :

"It is well known by all that this ratio (of 1803) by the simple reason of its being fixed could not remain correct. There was quickly a premium on gold, and silver remained almost alone in circulation until near 1850. The discovery of the mines of California and Australia suddenly changed this situation by throwing into the European market a very considerable quantity of gold. By the side of this force, which tended to create a divergence from the legal ratio by lowering gold, there was another which occasioned a rise of silver. Under the influence of various circumstances, too long to enumerate, the needs of the extreme East had grown in unusual proportions, and as silver is alone in favor there, it was exported in enormous masses. There was a premium

on silver to the extent of 8 per mille, and it disappeared almost completely from circulation, yielding place to gold.

"Preoccupied by the situation the government charged a commission to study the measures to be taken. Its labors are summed up in the report of N. de Bosredon (1857). After examining the system tending to preserve silver money intact by lowering the value of gold money, and conversely the system tending to the adoption of the gold standard by reducing the silver money to the state of billon, the commission did not decide between them. It confined itself, in fact, to counselling the Government to a transitory step—the raising of the export duties on silver * * *. The exportation of silver, therefore, continued; and if the disappearance of 5-franc pieces was not remarked, because they were replaced by gold, it was not the same with the scarcity of pieces of a smaller value employed in petty payments.

"Being informed of the obstructions to retail commerce by complaints carried before the Senate, and instructed by the example of Switzerland, which had in 1860 reduced the standard of its divisional money, the Minister of Finance appointed a commission, 1861, to study the remedy to be applied to the evil. This commission counseled the reduction of the standard of pieces of less than 5 francs to .834 fine. It did this in complete knowledge of the cause, fully recognizing that in so doing the monetary unity of silver, characteristic of our system, would be thereby broken, at any rate for its circulating form; for while the franc no longer existed in law, the 5-franc was disappearing in fact, so that the change was equivalent to the establishment of a gold standard."

This advice of the commission was, however, by the law of 1864, applied only to pieces of 50 or 20 centimes.

THE LATIN UNION.

The next step in the process was the formation of the Latin Union in the year following. The above-quoted commission speaks of the intentional aspect of this Union in these words: "This convention places in the front rank gold money, and reduces the pieces of silver of 2 francs and less to the role of token money. It therefore definitely determines (*consacre*) the ascendancy of the gold francs, and solves practical difficulties arising from the double standard."

This was written in 1867, less than two years after the formation of the Latin Union. It is not the view which prevails among bimetallicists to-day as to the purpose and intentional bearing of that Union; but it is the historic truth none the less, and it was only the complete revolution in the conditions of production of the precious metals which made itself felt from 1871, which has given the Latin Union the aspect of a theoretic concert for the maintenance of, rather than as a defense against, a bimetallic system. If silver had not fallen in 1871 the Latin Union would still be the bulwark of defense of bimetallic France against the action of bimetallic law.

The formation of the Latin Union, therefore, was a measure of defense against the action of the bimetallic system in those countries which had adopted the monetary system of France, and lay exposed to all its disastrous fluctuations. The first and moving factor in its formation was Belgium. So far as related to silver, Belgium had adopted the French system by her monetary law of 5th June, 1832. By the first article of this law the monetary unit was fixed at the silver franc of 5 grms. weight, and 9 fineness. For years Belgium endeavored to maintain this law in its integrity. Public opinion, however, demanded the admission of French gold at its normal value, and this was conceded and decreed by the law of 4th June, 1861. From that moment she felt all the oscillating movement which France was experiencing. The declaration of article 1, of the Law of 1832 became a dead letter; the gold standard took the place of the silver standard, and equally with France, Italy and Switzerland, Belgium had to witness the disappearance of her small silver coins. To the previous abundance there succeeded a penury of small change, although the drain was not so immediately felt because of large reserve of silver 5-franc pieces (amounting to 48 millions of francs), held by the National Bank. In slightly over a year, 1st June, 1861, to 8th November, 1862, this stock of 48,645,000 francs had sunk to 14,629,000 francs, and in alarm the National Bank ceased, on the latter date, all payments in 5-franc pieces. Concurrently with this drain of the 5-franc pieces, the reserve of silver coins of less value began to be seriously affected by the sapping influence. During the two following years, 1861-63,

there was little commerce in the precious metals owing to the American war. But in 1863 the movement of drain recommenced. The reserve of 5-franc pieces and the stock of divisional coins of lower denomination fell rapidly—to so low a point indeed, as to become quite insufficient for the ordinary trade and small change demanded of the country. After a slight recovery in September, 1865, the same downward course continued. The smaller coins of 1-franc pieces and 50 centimes became so scarce that the bank could not supply the demands of manufacturers for the payment of wages, and the government had to have resort to the coinage of nickel for small divisional money. The simultaneous experience of Switzerland and Italy is not so capable of statement and exact expression. But it was similar in kind. Previous to 1865 a net balance of over 12 millions sterling (consisting almost if not entirely of silver) had left Italy, and it was known to be the danger of entirely losing her silver which led Italy to the suspension of cash payments on April 30, 1866, and to her acquiescence in the Latin Union. It was not, however, Italy, but Belgium, who first raised the note of alarm. Conscious that her monetary community with France made any independent efforts quite futile, the Belgium government proposed to France a monetary union for the countries which had adopted the franc as the basis of their currency. Taking up the proposition, France invited Italy and Switzerland, together with Belgium, to send delegates to a monetary conference at Paris. At this conference Belgium proposed the adoption of the single gold standard—the silver pieces including the 5-franc pieces to be lowered by an agio, and made divisional money. Italy and Switzerland were of the same opinion, but their scheme failed before the opposition of France, and the final outcome of the conference was the establishment of the convention of 23d December, 1865.

This convention, which instituted the Latin Union, came into force on the 17th of August, 1865, and under it one slight change is made in the internal currency system of France. The hitherto full-valued silver coinage from 2 francs downward was changed into token money (being reduced to .835 fine), the 5-franc piece remaining as full legal tender.

The union was to last for fifteen years. It established an identity in the monetary system of the four powers, as far as weight and standard were concerned, and prescribed free coinage for any individuals bringing metals to the mints—of gold into any from, and of silver into 5-franc pieces; and the reciprocal acceptance of those pieces in any of the States of the Union. Finally the minting of each State for national or currency purposes was limited to 6 francs per head.

This limitation, together with the regulation adopted, that the divisional coins should be issued at a rate inferior to that of the monetary standard, must be regarded as a measure of mutual defense against the sapping of the small coinage which had previously been experienced. According to this clause the maximum of mintings for national or currency purposes was presented thus :

	Francs.
For Belgium.....	32,000,000
France.....	239,000,000
Italy.....	141,000,000
Switzerland.....	17,000,000

For a time everything bloomed, the minting went merrily on, and private individuals (foreigners) reaped a profit at the expense of France. With the heavy fall in the ratio which made itself marked in 1873, however, events became too strong even for the Union, and Belgium took the initiative by passing a law enabling her government to suspend or limit the coinage of the 5-franc piece. This principle was subsequently adopted by all the States of the Latin Union. During the years 1874–76 three annual conferences of the Union were held at Paris, with the result that the limitation of the coinage of the 5-franc piece was fixed thus :

	1874.	1875.	1876.
Belgium.....	12,000,000	15,000,000	10,800,000
France.....	60,000,000	75,000,000	54,000,000
Italy.....	60,000,000	50,000,000	36,000,000
Switzerland.....	8,000,000	10,000,000	7,200,000
Greece (which had acceded to the Union in 1868).....			12,000,000

Of these States, Switzerland alone did not coin up to her total, and at the conference in February, 1876, her delegates pressed strongly for the entire cessation of the coinage of the 5-franc piece, and for the adoption of a gold standard. In this she was strongly opposed by Italy. The latter State, on account of the disappearance of her metallic currency before the inconvertible paper, had no interest in the limitation of the mintings of the Union. In the conference of 1874 she even sought and was authorized to coin beyond the quota accorded her, by a sum of not less than £800,000 in 5-franc pieces, on condition that such amount should be deposited as a metallic reserve of the Bank of Italy.

The force of circumstances, however, soon broke down even this policy of limitation. In the course of 1876 the fall of silver became more disastrously pronounced. In addition, it was no secret that the amounts accorded by the conferences of 1874-75-76 for the mintings of each State had been assigned as maximum, not minimum, limits under the Latin Union.¹

¹ From 1865-1878—

France	minted.....	625,466,380 francs.
Belgium	“	350,497,720 “
Italy	“	359,059,820 “
Switzerland	“	7,978,250 “
		<hr/> 1,343,000,000 francs. <hr/>

THE MINT CONVENTION OF 1878.

The next Mint convention of November, 1878, would determine the Latin Union on the 31st December, 1885, if not prolonged by further treaty. As the time approached the smaller States, such as Belgium, which had committed themselves to a large minting, and thereby to the liability of having to liquidate or take back its own mintings—such 5-franc pieces as happened to be beyond its frontiers—at full value, in the face of a greatly fallen silver market, shrank from the responsibility, and sought and obtained a prolongation of the *status quo* until the end of 1891, and thence forward by yearly agreement.

Finding that individuals treated the agreed amounts of mintings as a minimum limit, the French government resolved to suspend the minting of the 5-franc pieces entirely. Accordingly, on the 21st March, 1876, M. Léon Say, Minister of Finance, submitted to the Senate a bill to that effect. It was followed, eight days later, by a proposition of a law suspending the emission of “bons” for the coining of silver money $\frac{1}{10}$ fine. The *exposé des motifs* of this act is most remarkable:

SUMMARY.

‘The events which have happened for some time past in the relations of the precious metals have brought to a head the monetary question among us, although from 1815 Great Britain has laid down principles which have attracted round her an ever-increasing circle of nations.

“The theory of the double standard, on which our monetary law of the year xi. reposes, has been called in question ever since its origin.

“It is, to our conception, less a theory than the result of the primitive inability of the legislators to combine together the two precious metals otherwise than by way of an unlimited concurrence—metals both of which are destined to enter into the monetary system, but which recent legislators have learned to co-ordinate by leaving the unlimited function to gold alone and reducing silver to the rôle of divisional money. From 1857 the French government has studied the question, and it may be stated that since that date the principle of the gold standard has won increasing favor through our several administrations.”

Then follows an account of the monetary history of France during the period, as in brief résumé already given. “If,” the preamble continues, “from 1874, certain precautions had not been taken to arrest the effects of that great perturbation in the ratio, France and her monetary allies would have seen their monetary circulation invaded by silver and correspondingly drained of gold.” Hence the conventions of 1874-75-76, limiting the mintings of the members of the Latin Union, although, “according to us, the fall of silver in 1875 prescribed a complete cessation even for that year rather than a simple limitation.”

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Each number contains a **special discussion** of some Sound Currency question.

"I do not believe that you can legislate up the value of anything any more than I believe that you can make generals heroes by legislation. The Continental Congress tried legislating values up even by resorts to penalties, but the inexorable laws of trade, as independent as the law of gravitation, kept them down. I do believe you can legislate a value down, and that you can do it by attempting to legislate it up."—Roscoe Conkling, February 4, 1862.

"The grains now proposed to be put into a dollar are 371 $\frac{1}{4}$. If you reduce the number to a hundred grains, if you reduce the number to ten grains—yes, if you reduce the number to one grain, and give free, unlimited coinage, the one grain uncoined would be worth an American dollar, but the American dollar would be worth no more than the one grain. If you adopt chips and allow any one with a chip one-eighth of an inch thick and an inch in diameter to have it coined or stamped one dollar, without charge, and in unlimited quantities, the chip uncoined or unstamped would be worth as much as the dollar after it is stamped, but the dollar after it is stamped would be worth no more than the chip."—Hoke Smith, August 6, 1895.

WAMPUM CURRENCY.

THE STORY TOLD BY THE COLONIAL ORDINANCES OF NEW NETHERLAND.

SIMON W. ROSENDALE.

It seems to have been conclusively demonstrated by experience in the Colony of New-Netherland, that one community cannot establish or uphold an article as currency which is not generally accepted; and a quaint light, like the glimmering of a seventeenth-century lantern is thrown upon the subject of the pending "silver question" by the Colonial ordinances of New-Netherland of the years 1641–1662. This period of about twenty years marked the decadence of wampum as currency.

In the belief that a reference to the subject is opportune, these ordinances, in their antiquated language, are reintroduced, with confidence that they will prove interesting and furnish a lesson singularly appropriate at this time.

In "Munsell's Collections on the City of Albany" (Vol. I., p. 385), we are told that beaver skins and wampum for many years formed the currency of the country. The price of beaver skins in 1641 was 8 guilders, equal to \$3.20, a guilder being placed at 40 cents. In 1642 beaver skins which measured an ell square were sold at six fathoms of wampum, and rose to ten fathoms in the following year. The accounts of the Dutch Church indicate that a guilder in wampum was equivalent to 12 $\frac{1}{2}$ cents in specie.

These ordinances and resolutions tell their own story so plainly that they are here set forth without comment. With the notes as here reproduced, they have been published in a volume entitled *The Laws and Ordinances of New-Netherland*, compiled by Dr. O'Callahan, Albany, N. Y., 1868.

ORDINANCE

of the Director and Council of New-Netherland regulating the Currency of Wampum.
Passed 18 April, 1641. (N. Y. Col. MSS. IV., 352.)

Whereas, Very bad wampum is at present circulated here, and payment is made in nothing but rough, unpolished stuff, which is brought hither from places where it is 50 per cent. cheaper than it is paid out here, and the good, polished Wampum, commonly called Manhattan Wampum, is wholly put out of sight or exported, which tends to the express ruin and destruction of this country ; in order to provide in time therefor, We do, therefore, for the public good, interdict and forbid all persons of what state, quality, or condition soever they may be, to receive in payment, or to pay out, any unpolished Wampum during the next Month of May, except at Five for one stiver, and that strung, and then, after that, six beads for one stiver. Whosoever shall be found to have acted contrary hereunto shall provisionally forfeit the Wampum which is paid out and 10 guilders for the poor, and both payer and payee are alike liable. The well-polished Wampum shall remain at its price as before, to wit, Four for one stiver, provided it be strung.

A stiver was one English penny.

The next Act is in the form of a resolution relating to the continuation of loose wampum as currency.

RESOLUTION

of the Director and Council of New-Netherland respecting loose Wampum. Passed 30 November 1647. (N. Y. Col. MSS. IV. 352.)

Resolved and concluded in Council at Fort Amsterdam, that, until further order, the loose Wampum shall continue current and in circulation ; only that in the meantime all imperfect, broken, and unpierced beads can be picked out, which are declared bullion, and shall, meantime, be received at the Company's counting house as heretofore. Provided, that the company, or any one on its part, shall, in return, be at liberty to trade therewith among the merchants or other inhabitants, or in larger parcels as may be agreed upon and stipulated by any individual, or on behalf of the company.

ORDINANCE

of the Director and Council of New-Netherland for the better regulation of the Currency. Passed 30 May, 1650. (N. Y. Col. MSS. XVI. 21.)

The Director General and Council of New-Netherland. To all those who see these presents or hear them read, Greeting.

Whereas, We have by experience, and for a long time seen the decline and daily depreciation of the loose Wampum among which are circulating many with holes and half finished ; also some of Stone, Bone, Glass, Muscle-shells, Horn, yea, even of Wood and Broken Beads, together with the manifold complaints of the Inhabitants that they cannot go to market with such Wampum, nor obtain any commodities, not even a small loaf of white bread or pot of Beer from the Traders, Bakers, or Tapsters for loose Wampum, wherein, wishing to provide according to best knowledge for this time, we have for the promotion of trade and the general good of the People, resolved and Concluded that from henceforward no more loose Wampum shall be current or good pay unless it be strung on a cord, as has been the common custom heretofore ; in order hereby to prevent the further importation of all lump and unperforated Wampum, and to establish some difference between the Commercial Wampum and strung Wampum, so as in future to obviate all misunderstanding, the Hon'ble Director and Council aforesaid, Do Ordain that the Commercial shall pass and be good pay as heretofore, to wit, Six White or Three Black for one stiver ; on the contrary, poor strung Wampum shall pass Eight White and Four Black for one stiver. We order and command every one hereby to regulate himself according to the tenor hereof, and in case of a refusal to be deprived of their trade and business, and the Fiscal is hereby ordered after publication to cause this

to be affixed and made known everywhere that it concerns, also to use every effort that the same be executed and obeyed here.

Thus done, resumed, and enacted in our Council in Fort Amsterdam, this 30th May, 1650, in New-Netherland.

ORDINANCE

of the Director and Council of New-Netherland further regulating the currency.

Passed 14 September, 1650. (N. Y. Col. MSS. XVI, 22.)

The Director General and Council of New-Netherland: To all those who hear, see, or read these presents. Greeting.

Whereas, On the daily complaints of the inhabitants we experience that our previous Ordinance and Edict relative to the poor strung Wampum, published under date 30 May A, 1650, for the accommodation and protection of the people is not observed and obeyed according to our good intention and meaning, but that, on the contrary, such pay even for small items is rejected and refused by Shopkeepers, Brewers, Bakers, Tapsters, Tradespeople, and Laboring men, to the great confusion and inconvenience of the Inhabitants in general, there being, at present, no other currency whereby the Inhabitants can procure from each other small articles of daily trade, for the relief and protection of the Inhabitants, the Director and Council do hereby Ordain and Command that, in conformity to our previous Ordinance, the poor strung Wampum shall be current and accepted by every one, without distinction and exception for small and daily necessary commodities required for housekeeping, as currency to the amount of twelve guilder and under only, in poor strung Wampum; of twelve to twenty-four guilders, half and half; that is to say, half poor strung and half good strung Wampum; of twenty guilders to fifty guilders, one-third poor strung and two-thirds good strung Wampum, and in larger sums according to the conditions agreed upon between Buyer and Seller, and a penalty of six guilders for the first time to be forfeited on refusal by the contraveners thereof; for the second time nine guilders, and for the third time two pounds Flemish, and stoppage for his trade and business, pursuant to our previous Edicts.

Thus done and enacted in Council by the Director and Council, this 14 September, 1650, in New-Amsterdam.

ORDINANCE

of the Director and Council of New-Netherland, regulating the Currency. Pass 3 January, 1657. (N. Y. Col. MSS. 383. XVI. 98.)

The Director General and Council of New-Netherland. To all those who see or hear these Presents read, Greeting. Make known.

Whereas, They, to their great regret, are by their own experience daily informed, and by the manifold complaints of Inhabitants and Strangers importuned, respecting the great, excessive, and intolerable dearness of all sorts of necessary commodities and household supplies, the prices of which are enhanced from time to time, principally, among other causes, in consequence of the high price of Beaver and other Peltries in this country beyond the value, which, by reason of the great abundance of Wampum, is advanced, to ten, eleven, and twelve guilders for one Beaver; and Wampum being, for want of silver and Gold coin, as yet the most general and common Currency between Man and Man, Buyer and Seller, domestic articles and daily necessities are rated according to that price, and become dearer, from time to time; the rather, as not only Merchants, but also, consequently, Shop-keepers, Tradesmen, Brewers, Bakers, Tapsters, and Grocers make a difference of 30, 40 a 50 per cent. when they sell their wares for Wampum or for Beaver. This tends, then, so far to the serious damage, distress, and loss of the common Mechanics, Brewers, Farmers, and other good Inhabitants of this Province, that the Superior and Inferior magistrates of this Province are blamed, abused, and cursed by strangers and Inhabitants, and the country in general receives a bad name, while some greedy people do not hesitate to sell the most necessary eatables and drinka-

bles, according to their insatiable avarice, viz. : the can of vinegar at 18 a 20 stivers ; the can of oil at 4 a 5 guilders ; the can of French wine at 40 a 45 stivers ; the gill of brandy at 15 stivers, and two quarts of home brewed Beer, far above its price, at 14 a 15 stivers, &c., which the greater number endeavor to excuse on the ground that they lose a great deal in the counting of the Wampum, that it is partly short and partly long ; that they must give 11 a 12 and more guilders before they can convert the Wampum into Beaver.

The Director General and Council aforesaid, wishing, therefore, to provide herein as much as lies in their power, have, for the good and advantage of their inhabitants, after divers serious consideration, propositions and debates held at various times, not been able to discover any better expedient, than to declare Wampum a commodity and merchandise in the matter of commerce and wholesale trade ; to wit, only among those who import it from abroad, or trade it in this Province, with Indians for Furs ; but inasmuch as, for want of Silver and Gold coin or other pay, Wampum must, in small quantities, serve as currency between Man and Man, Buyer and Seller, the Director General and Council aforesaid, have determined, resolved, and Ordained, as they do hereby resolve and Ordain to rate Wampum, and as far as possible to cause it to be rated at the value of Beaver, the Beaver being still reckoned, until further order and advice from Patria, at eight guilders and no higher.

And in order to prevent in future the complaints of miscounting of the Wampum, with regard to which no few mistakes have been experienced, to the loss of the Honble Company's Treasury, also, the taking out of short or long Wampum, if it be but good, even and sell strung, the Director General and Council further Ordain and command, that, from this time forward, after the publication and posting hereof, Wampum shall not be paid out or received, between Inhabitants and Inhabitants of this province, even for merchandise or for contracts made before this in Wampum by the tale or stiver, but only by a stamped measure, authorized to be made and stamped for that purpose, by the Director General and Council, the smallest of which measures shall be five stivers ; the whole ten, and the double 20 stivers.

And if it should come to pass that the price of the purchased or sold article should not amount to, or equal half the smallest measure of $2\frac{1}{2}$ stivers, the Director General and Council, in order to prevent caviling and disputes, do order and command that the Receiver or Payee, shall satisfy or make up the smallest fraction under or over $2\frac{1}{2}$ stivers, by the tale ; each White Wampum bead being reckoned at half a farthing and each black bead at one farthing.

And in order that no one may plead ignorance hereof, the Director General and Council order and command that these presents shall be published, and, after publication, observed, executed and obeyed, everywhere within this province of New Netherland, under a fine of 50 pounds Flemish for the first time, and double for second time, to be forfeited by such as shall be found, after the publication and posting hereof, to have paid out or received any Wampum by the tale, or any other measure than that ordained and stamped by the Director General and Council ; such fine to be applied as it ought.

Thus done in the Assembly of the Director General and Council holden in Fort Amsterdam, in New-Netherland, the 3 of January, A. 1657.

The following is an extract from the dispatch of the Directors at Amsterdam, on the subject of the above ordinance :

“ We do not consider out of place the reasons you adduce in support of the Edict you have drawn up on the subject of reducing the value of the Wampum, or circulating it by measure, and therefore would be willing to confirm, in case the magistracy and some of the principal merchants there would be content with it, whose advice on the subject can be received, and with their consent if can be put in force there. To this end we herewith send back the aforesaid Edict, after having made a few alterations, our meaning being, in all events, that the Wampum should not be rated or issued by us at any higher value than in New England.

“ And as we have observed that in similar Ordinances and Edicts you simply use the name of the Incorporated West Chamber of Amsterdam : We have, therefore, thought it necessary hereby to command you not to neglect to employ them on all future occasions.” *

ORDINANCE

of the Director General and Council of New-Netherland further regulating the Currency. Passed 29 November, 1657. (N. Y. Col. MSS. xiv, 119.)

The Director General and Council of New Netherland. To all those who shall hear these present read, Greeting, Make Known.

That, Whereas, both by their own experience and by manifold complaints of Inhabitants and Strangers, they are sufficiently, to their sorrow, daily informed and importuned respecting the great, excessive and intolerable high price of necessary commodities and household articles, arising, among other causes, principally from the high price, far beyond their value, of Beaver and other Peltries in the country in consequence of the abundance of Wampum, which has run up to 10, 11 and 12 guilders for one Beaver. And Wampum being still, for want of struck or stamped coin, the most General currency between Man and Man and Buyer and Seller, the prices of household commodities and common daily necessities range according to that rate, and are from time to time dearer, the rather as 30, 40, yea, sometimes 50 per cent. difference is made not only by the Merchants, Factors and wholesale traders, but also, consequently, by the Shopkeepers, Tradespeople, Brewers, Bakers, Tavernkeepers, Grocers and others, if they work and sell goods for Beaver and Wampum. This, then, creates considerable confusion on the one hand, and causes, on the other, great burdens, loss and damages as well to the majority of the Inhabitants, as to the Company and its servants, insomuch that, by reason of the aforesaid inordinate and excessive price of necessities, the Superior and Inferior Magistrates of this Province are blamed and accused by Strangers and Residents ; the Country in general has received a bad name, some greedy people not hesitating to sell even the most necessary supplies, articles of food and drink, according to their insatiable covetousness, at tolerable prices for Wampum. * * * Which high prices are generally excused on the ground that 30, 40, a 50 per cent. is lost on the Wampum before it can be traded off for Beaver.

The Director General and Council aforesaid, wishing to provide and introduce some better order herein, as far as possible, for the advantage of all in general and in particular, have not been able to discover, after much serious consideration and advice, even of the Lords Patroons themselves, any better expedient than to declare Wampum an absolute merchandise, to buy, sell, and rebarter at wholesale, according to the value and quality thereof. But, inasmuch as Wampum, for want of gold and silver coin, as already stated, must still serve as small change for daily necessities between man and man, buyer and seller, the Director General and Council have judged it necessary to reduce, at the General Counting House, the Wampum due the company for rents or other outstanding debts to, and also, consequently, to keep, receive and pay it out as Beaver value, the Beaver being reckoned still, and until further advised from Fatherland, at eight guilders ; therefore, fixing and reducing the Wampum at the general Counting House, provisionally, from six to eight White for one stiver, at which rate Wampum shall be received and paid out, after the publication and posting hereof, at the general Counting House, without any distinction of persons ; provided that the wares, labor or services charged to the company shall be computed according to the value so much lower, at least not higher, than the price of Beaver. If, on the other hand, the Receivers are willing to continue the old rate, the Director General and Council resolve and ordain that the company or its servants on its part, can then agree respecting the quantity or portion of Wampum, as it is ordinarily current.

Further, in order to cause the least disturbance and loss among the Inhabitants, who may have in their possession a large quantity of Wampum, and as Wampum is

* Directors to Stuyvesant and Council, 22, Dec., 1657. N. Y. Col. MSS. xii 69, Tr.

esteemed in the matter of commerce, an absolute commodity, as already stated, the Director General and Council do not intend, by this reduction of the Wampum at the General Counting House, any alteration or impairing of any private contracts, agreements, or sales of merchandise heretofore made or hereafter to be made between Man and Man, Buyer and Seller; but in order to prevent all exception and complaint that no notice or warning had been given, which may be set up or pretended by one debtor or another at the Company's Counting House, the Director General and Council hereby give notice that, although the payment at the Company's Counting House is made to the creditors in manner as aforesaid, according to this reduction, immediately after the publication hereof, the debtors to the Company's Counting House may pay six White and three Black Beads for one stiver, for the space of three consecutive months; but if they make no payment in that time, the Director General and Council give notice and Ordain that after the expiration of three months, all payments which must be made at the Company's Counting House in Wampum, shall be made in conformity to this enacted ordinance.

Thus done and published in Fort Amsterdam in New Netherland, the 29 November, A. 1657.

An order in Council was issued Oct. 9, 1658, declaring that Wampum, in settlements between Man and Man, shall pass at eight White and four Black Beads for one stiver, on condition that six weeks be allowed to debtors to pay outstanding debts which may and must be paid in Wampum; but if such debts are not satisfied within that time, then debtors shall pay, instead of six, Eight White, and in place of three Four Black beads, for one stiver.*

ORDINANCE

of the Director General and Council of New-Netherland making Wampum a legal tender in certain cases, and fixing the price of bread and liquors. Passed 11 November, 1658. (N. Y. Col. MSS. VIII, 1023.)

The Director General and Council of New-Netherland. To all those who see these presents or hear them read. Greeting. Make known.

Whereas, notwithstanding the former reduction of Wampum at the General Counting House, from six to eight White, and from three to four Black (beads) for one stiver, they are still informed, both by Remonstrance of the Burgomasters and Schepens of this city, and by reports of others, of the high, excessive, and intolerable dearness of needful commodities and family necessities, arising among other causes from the abundance and uncurrent conditions of the Wampum, which in barter for Beaver, has risen to 16 guilders and more for one Beaver; according to which rate, all household commodities and common daily necessities take their course, even to such a degree, that a difference of 80, 90, yea, 100 per cent. is made by Shopkeepers, Tradesmen, Brewers, Bakers, Tapsters and Grocers, if they work and sell their wares for Beavers or Wampum, which has necessitated and induced the Director General and Council aforesaid, at the further request of the Burgomasters and Schepens of this city, to allow Wampum to be current, according to the above-mentioned reduction of the Counting House, to wit: In place of six, eight white, and in place of three, four black for one stiver. But, whereas, from past experience, it is not only to be feared, but may probably follow, that, by this reduction, the complaints and dearness will not be prevented, nor the disproportion between the pay in Beaver or Wampum remedied, but on the contrary, it is to be presumed, that the more beads the Traders receive for a stiver, the greater length of hands and fathoms they will give for a Beaver, and consequently, the dearness of wares and even of the most necessary articles, such as Beer and Bread, will continue and be exercised on the ground of the still too great disproportion between Wampum and Beaver.

In order to remedy and prevent this in future as much as possible, the Director and Council cannot, as yet, discover any better expedient or means, than again to declare Wampum, as it has already been frequently declared, to wit, an absolute article of

* N. Y. Col. MSS. VIII., 1002.

Merchandise, to be, according to its value and quality bought and sold, bartered and exchanged by measure or guilder, as parties—buyer and seller—can agree; and that payment in Wampum above 24 guilders shall not be valid in law, unless it appear otherwise to the Court, by written contract or acknowledgment of parties.

But, inasmuch as Wampum, for want of a better Currency, and as a means to procure family supplies for daily use, must pass between man and man, buyer and seller, the Director General and Council judge it necessary in future to reduce, not Wampum, but the most necessary articles, such as Bread, Beer and wine, and to raise or lower the prices of them according to the value of Beavers as the general market rate shall require. Therefore, the Director General and Council do ordain and command Bakers, Brewers, Tapsters, and others, who sell by the small measure, not to sell or retail Bread, Beer, and Wine, at a higher price than that to be fixed by the Director General and Council themselves, or by the respective subaltern Magistrates, each in his jurisdiction, with the knowledge of the Director General and Council.

Wherefore, to prevent the altogether too great clamor and complaint of dearness, and to enact some regulations with regard to the most necessary articles, such as Bread, Beer, and Wine, according to which others can in course of time be regulated and reduced, the Director General and Council have, after communication with, and on the advice of, the Burgomaster of this city, concluded, resolved, and Ordained, as they do hereby Ordain, that Brewers, Tapsters, Bakers, also other Storekeepers and Grocers, shall offer for sale to the purchaser the daily most necessary commodities at three prices, to-wit, Silver money, Beaver, or Wampum, as it is at present provisionally reduced everywhere throughout this province, videlicet. Eight White and four Black for one stiver.

According to which order the Brewer shall deliver the tun of Strong Beer a 10 guilders in Silver, according to the value in Holland. The tun of Strong Beer at 15 guilders in Beaver; the Beaver at 8 gl. The tun of Strong Beer at 22 guilders in Wampum; eight white and four black for one stiver.

The tun of Small Beer—

3 guilders in Silver.
4½ guilders in Beaver.
6 guilders in Wampum.

THE TAVERN KEEPER.

Half a gallon of Beer—

6 stivers in Silver.
9 stivers in Beaver.
12 stivers in Wampum.

A can of French wine—

a 18 stivers in Silver.
a 22 stivers in Beaver.
a 36 stivers in Wampum.

A can of Spanish wine—

a 24 stivers in Silver.
a 36 stivers in Wampum.
a 50 stivers in Wampum.

A gill of brandy—

a 5 stivers in Silver.
a 7 stivers in Beaver.
a 10 stivers in Wampum.

THE BAKERS.

A coarse Wheaten loaf, 8 lbs. Weight a 7 stivers in Silver.
A coarse Wheaten loaf, 8 lbs. weight a 10 stivers in Beaver.
A coarse Wheaten loaf, 8 lbs. weight a 14 stivers in Wampum.
A Rye loaf, 8 lbs. weight a 6 stivers in Silver, a 9 stivers in Beaver.
A Rye loaf, 8 lbs. weight a 12 stivers in Wampum.
A White loaf, 2 lbs. in weight a 4 stivers in silver.
A White loaf, 2 lbs. in weight a 6 stivers in Beaver.
A White loaf, 2 lbs. in weight a 8 stivers in Wampum.

Thus done, resumed, and enacted at the Meeting of the Director General and Council, holden in Fort Amsterdam, in New Netherland, the II. November A. 1658. P. Stuyvesant, Nicasius de Sille, La Montagne, Pieter, Tonneman.

ORDINANCE

of the Director General and Council of New-Netherland further regulating the Currency. Passed 28 December, 1662. (N. Y. Col. MSS. X. 299.)

Taking into consideration, on the one hand, the depreciation and the present low price of Wampum, to the degree that 20, yea even by some 24, guilders, are now ordinarily paid for one Beaver, and, on the other hand, the Order and Instructions of Messrs. the Directors, communicated in divers of their dispatches, and especially in their Honors' letter of the 22d December, 1659, to reduce the payment which is made here to the Company's servants in Wampum or Beaver, to the value of Holland money, the Director General and Council of New-Netherland find themselves obliged, in order that the Company's servants may receive in some degree an equivalent of Holland money, again to reduce the Wampum, at the Company's counting house, from 16 to 24 white, or 12 black (beads) for one stiver, and to disburse it at that rate on the first of January next, to the Company's servants in payment of monthly wages and Board money, and as regards Beaver, to continue to pay it out, provisionally, until further order, at 7 guilders, in payment of Monthly wages and board money.

Done, Fort Amsterdam in New Netherland, the 28 December, 1662, P. Stuyvesant, Nicasius de Sille. J. de Decker.

Note.—“The order which your Honors made in regard to the payment of the Soldiers and other public servants in Wampum hath well pleased us, as it tends to afford equal satisfaction to all. But as it still is not equivalent to Holland money, we have resolved hereby to order and authorize your Honors to reduce it to the aforesaid value, as we also, for said reasons, have provisionally reduced the Beaver from 8 to 7 guilders. * * *

“From this particular reduction of the Wampum, a second general reduction must necessarily follow, if the depreciation thereof is to be prevented. This arises in consequence of the great importation of Wampum from New England, which barter therewith, and carries out of the country not only the best cargoes, sent hence, but also a large quantity of Beaver and other Peltries, whereby the company is defrauded of its revenues, and the Merchants here of good returns, while the Factors and Inhabitants there remain with chestful of Wampum, which is a currency utterly valueless, except among New-Netherland Indians only.” Directors to Stuyvesant and Council, N. Y. Col. MSS. XIII. 57, 22 Dec. 1659.

Orders were sent in September, 1663, to pay the Beaver to the Company's Servants for their wages, at six guilders each.

The use of the Wampum seems to have continued in this Colony, notwithstanding the fact that it has ceased to be in general use to a greater or less extent elsewhere. In 1650 it was refused for county tax in Massachusetts, and in 1661 was declared to be legal tender no longer in that Colony. In 1662 there was a similar decree in Rhode Island, and, as we are told, soon afterward in Connecticut.

Another singular fact relative to Wampum existed in this Colony, that the currency was not regulated by law, and the amount of wampum required to make a stiver was left to be determined by the parties concerned,* thus almost realizing “Diedrich Knickerbocker's” statement that a Dutelman's hand was to be regarded as weighing one pound and his foot two pounds in buying furs from the Indians.

The latest recorded instance of the use of wampum as currency was 1693, when the rate of ferriage from New York to Brooklyn was fixed at eight stivers in wampum, or a silver two pence.

* Woodward on Wampum, Munsell, Albany, 1880.

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Each number contains a **special discussion** of some Sound Currency question.

“ A review of arguments and reasonings on the abstruse subject of money and finance, connected with fact, i. e., with the actual effects and consequences of them, may afford some gratification and amusement to speculative people, who are disposed to examine and explore those difficult, but very interesting matters, errors and mistakes in which have tript up the heels of, and brought by the board, very many statesmen in every nation.

For this reason it is probable that politicians and statesmen who may happen to be involved in these inquiries, may find benefit in an attention to American experiences.

Such a connection of principles, theorems, and facts, in the great subject of money and finance, is a phenomenon rarely to be found in any nation so clearly exhibited, as in the history of money and finances in our States during the war and its consequences.

In short, in the history of American distresses, perfect wisdom is not to be expected; but we have an opportunity of learning wisdom from it. Many projects, plans, schemes, and manœuvres, some of them hurtful, and others vain and ridiculous enough, were set on foot, and some of them pushed into execution with great severity, which either died soon without effect, or were marked with calamity during their continuance.”

STRICTURES ON TENDER-ACTS.

FIRST PUBLISHED IN PHILADELPHIA DEC. 13, 1780.

PELATIAH WEBSTER.

The fatal error, that *the credit and currency of the Continental money could be kept up and supported by acts of compulsion*, entered so deep into the mind of Congress and of all departments of administration throughout the States, that no considerations of justice, religion or policy, or even experience of its utter inefficacy, could eradicate it; it seemed to be a kind of obstinate delirium, totally deaf to every argument drawn from justice and right, from its natural tendency and mischief, from common sense, and even common safety.

Congress began as early as *January 11, 1776*, to hold up and recommend this *maxim of maniasm*, when Continental money was but five months old (for its actual circulation commenced the beginning of *August, 1775*, tho' the bills were dated *May 10*, preceding, that being the first day of that session of Congress). Congress then resolved, that “ *whoever should refuse to receive in payment, Continental bills, &c., should be deemed and treated as an enemy of his country, and be precluded from all trade and intercourse with the inhabitants,*” &c, *i. e., should be outlawed*; which is the *severest penalty* (except of life and limb) known in our laws.

This ruinous principle was continued in practice for *five successive years*, and appeared in all shapes and forms, *i. e., in tender-acts, in limitations of prices, in awful and threatening declarations, in penal laws with dreadful and ruinous punishments, and in every other way* that could be devised, and all *executed with a relentless severity* by the *highest author-*

ities then in being, viz, by *Congress*, by *Assemblies* and *Conventions* of the States, by *Committees of Inspection* (whose power in those days were nearly sovereign), and even by *military force*; and tho' men of all descriptions stood trembling before this monster of force, without daring to lift a hand against it, during all this period, yet its unrestrained energy ever proved ineffectual to its purposes, but in every instance increased the evils it was designed to remedy, and destroyed the *benefits* it was intended to promote; at best its utmost effect was like that of water sprinkled on a blacksmith's forge, which indeed deadens the flame for a moment, but never fails to increase the *heat* and *force* of the internal fire. Many *thousand families* of full and easy fortune were *ruined* by these *fatal measures*, and lie in *ruins to this day*, without the least *benefit* to the *country*, or to the great and noble *cause* in which we were then engaged.

I do not mention these things from any pleasure I have in opening the wounds of my country, or exposing its errors, but with a hope that our *fatal mistakes* may be a caution and warning to future financiers, who may live and act in any country which may happen to be in circumstances similar to ours at that time.

N. B. The Act of *Nov. 29, 1780*, herein referred to, was passed into a law, *Dec. 19, 1780*.

The Tender-Act of *November 29, 1780*, is published by order of the Assembly of *Pennsylvania* for public consideration, and therefore the duty and respect due to the Assembly and the public obliges every one to consider it, and offer such remarks on it as deserve public notice. In compliance with this duty, I have considered the said act, and the following Strictures appear to me of importance sufficient to engage the public attention.

The nature of a Tender-Act is no more or less than *establishing by law the standard value of money*, and has the same use with respect to the *currency*, that the legal standard *pound, bushel, yard, or gallon* has to *those goods*, the quantities of which are usually ascertained by those weights and measures; therefore to call anything a *pound or shilling*, which *really is not so*, and *make it a legal standard*, is an error of the same nature as *diminishing the standard bushel, yard, gallon, etc.*, or making a law that a *foot* shall be the *legal yard*, an *ounce* the *legal pound*, a *peck* the *legal bushel*, or a *quart* the *legal gallon*, and compelling everybody to receive all goods due to them by such deficient measures.

Further, to make anything the *legal standard* of any of these, which is not of *fixed* but *variable nature*, is an error of the same kind and mischief as the other; *e. g.* to make a *turnip* the standard *pound weight*, which may dry up in the course of a year to a *pith* of not more than *two or three ounces*, or to make a *flannel string* the standard *yard*, which will shrink in using to half its length. The absurdity of this is too glaring to need anything further said on it.

But to come to the matter now in question.

The first observation which occurs to me is, that the bills, which are made a tender, contain a public *promise of money to be paid in six years*. On which I beg leave to remark, that the best and most indubitable security of money to be paid in *six years*, or any *future time*, is not so good or valuable as ready cash. The truth of this proposition is so evident and obvious to everybody, that it cannot need proof.

Therefore the law, which obliges a man to accept these bills instead of ready cash, obliges him to receive a *less valuable thing* in full payment of a *more valuable one*, and injures him to amount of the difference; and so far as a direct violation of the *laws of commutative justice—laws grounded in the nature of human rights*, supported by the most necessary *natural principles*, and enjoined by the most express authority of *God Almighty*, and which it is not possible that any legislature on earth should *have right* to infringe or abrogate.

Again, the security arising from the public promise is not generally deemed *certain*. The public *faith* has been *so often violated*, and the *sufferings* of individuals thence arising have been *so multiplied and extensive*, that the general confidence of our people in that

security is much *lessened*; and as a chance of *uncertainty* can never be so valuable as a *certainty*, those bills must and will be considered as less valuable than they would be, was the security on which they depended, free of all doubt or uncertainty; and consequently, the discount of their value will always be estimated by, and of course be equal to, this difference. Therefore, the injustice of forcing them on the subject at *full value* of present cash, is greatly increased.

These positions and reasonings are grounded on such notoriety of fact, that any explanation or proof is needless; and I hope an objection against a law, drawn from the most manifest and acknowledged injustice of its operation and effect, will not be deemed trivial, or be easily set aside or got over.

Naked facts are *powerful* things, and arguments sometimes do best, and have the greatest effect, when addressed to the *feelings* of mankind; and that I may press the matter as close as I can, I beg leave to propose the following case, viz.:

Suppose a man of grave phiz and character should, *in distress*, apply to his neighbor for the loan of 1,000 *silver* dollars, with solemn promise on his *honor* and *truth* to repay them in a month, and in the meantime the tender-act under consideration should pass into a law, and the borrower, at the month's end, should tender 1,000 of the *new* paper dollars in payment.

I beg leave here to propose to every *Member* of the *Assembly* who voted for that law, and to every *other* man, who is a *member of this State*, what their sentiments of that action would be, and in what light they would view the *borrower*, who tendered the *paper* dollars (*i. e.*, two-fifths of the debt) in payment of the *silver* ones he had received; *i. e.*, would they consider him as an *upright, honest man*, or a *shameless rascal*?

In whichever of the two characters they may choose to consider such a man, it may be proper to note, that the *act* in question, if passed into a law, would *protect* him, and not only so, but would subject the lender to the *loss* of the *whole money* if he refused to receive it. This is a somewhat delicate matter, which it is painful to dwell long upon. I will, therefore, close what I have to say on it with a few very serious remarks, the truth, justice, and propriety of which I humbly submit to the reader.

1. The worst kind of evil, and that which corrupts and endangers any community most, is that *iniquity which is framed by a law*; for this places the mischief in the very spot, on the very seat, to which every one ought to look and apply for a remedy.

2. It cannot be consistent with the honor, the policy, the interest or character of an *Assembly of Pennsylvania* to make a law, which, by its natural operation, shall afford *protection* to manifest injustice, deliberate knavery and known wrong.

3. No cause or end can be so good, *i. e.*, so *heavenly* in its origin, so *excellent* in its nature, so *perfect* in its principles and so *useful* in its operation as to require or justify *infernal means* to promote it. By *infernal means* I mean such as are most *opposed to Heaven and its laws*; most repugnant to natural principles of *equity*, which are all derived from *Heaven*; and most destructive of the *rights* of human nature, which are essential to the happiness of society, the laws of which are *engraven by Heaven* on the heart of every man; some wicked men have formerly said, "Let us do *evil* that *good* may come, whose *damnation* is just."

But perhaps this *sort* of argument may not have all the effect I could wish on the mind of *every* reader. I therefore proceed to another argument, which goes to the nature and principle of the act itself, viz.: that the *credit or value of money* cannot, in the very nature of the thing, be supplied, preserved or restored by *penal laws* or any *coercive* methods. The subject is *incompatible to force*; it is out of its reach, and never can be made susceptible of it or controllable by it. The thing which makes money an object of desire, which gives it strength of motive on the hearts of all men, is general *confidence*, the *opinion* which it gains, as a sovereign *means* of obtaining everything needful. This confidence, this opinion, exists in the mind only, and is not *compellable* or *assailable by force*, but must be grounded on that evidence and reason which the mind can see and believe;

and is no more subject to the action of force than any other passion, sentiment or affection of the mind, any more than faith, love or esteem.

It is not more absurd to attempt to *impel faith* into the heart of an unbeliever by *fire and fagot*, or to *whip* love into your mistress with a *cowskin*, than to force *value* or *credit* into your money by *penal laws*.

You may, indeed, by force compel a man to deliver his goods for *money* which he does not *esteem*, and the same force may compel him to deliver his goods without any *money* at all ; but the credit or value of the money cannot be helped by all this, as appears by numberless examples. Plain facts are stubborn and undeniable proofs of this. Indeed, this has been tried among ourselves in such extent of places and variety of shapes, and in every instance been found ineffectual, that I am amazed to see any attempt to revive it under any devisable form whatsoever. Numberless are the instances of flagrant oppression and wrong, and even ruin, which have been the sad effects of these dreadful experiments, with infinite detriment to the community in general, without affecting in any one instance the *ends intended*. The facts on which this argument depends are fresh in every one's memory.

I could wish, for the honor of my country, to draw a veil over what is past, and that wisdom might be derived from past errors, sufficient to induce every one to avoid them in future. In fine, from the contemplation of the nature of the thing, and of the facts and experiments which have been made in every variety of mode, and supported by every degree of power and exertion, it appears as plain and undeniable as intuitive proof, that the credit or value of money is not in its nature controllable by force, and therefore, any attempt to reach it in that way must end in disappointment, and the greater the efforts, and the higher the authority which may be exerted in that way, the greater must be the chagrin, shame and mortification, when the baseless fabric shall vanish into smoke.

The only possible method then of giving value or credit to money is, to give it such qualities, and clothe it with such circumstances as shall make it a sure means of procuring every needful thing ; for money that will not answer all things is defective, and has not in it the full nature and qualities of money. In this way only it will grow fast enough into esteem, and become a sufficient object of desire, to answer every end and use of money. Therefore, when the question is proposed, how shall we give credit or value to our money ? the answer, the only true answer, is, bring it into demand, make it necessary to every one, make it a high means of happiness, and a sure remedy of misery. To attempt this in any other way is to go out of nature, and of course into difficulty, only to obtain shameful disappointment in the end.

There is nothing better than to take things in their natural way. A *great and difficult work* may be accomplished by easy diligence, if a good method and a wise choice of means are adopted ; but a *small work* may be made difficult, very soon, if taken at the wrong end and pursued by unnatural means. There is a *right* and a *wrong method* of doing everything. You may lead with a *thread* what you cannot drive with *whips* and *scorpions*. The *Britons* have found this to their cost, in the unnatural means they have pursued to preserve and recover their dominions in *America*. I wish we might be made wise by their errors.

Felix quem faciunt aliena pericula cautum.

I would be willing to learn wisdom from *Great Britain*. *Fus est ab hoste doceri*. Amidst all their madness, and in all their distresses for money, they never once thought of making their bank or exchequer bills a tender, or supporting their currency by penal laws. But these considerations may have little effect on *some minds*, who are not very delicate in their choice of means, but seem resolved to carry their points, *volente nolente Deo*.

I therefore hasten to another topic of argument, viz. It appears to me the act is founded in mistaken and very bad policy, and by its natural operation must produce many effects extremely prejudicial to our great and most important interests.

1. It seems plain to me, that the act has a fatal tendency to destroy the great motives of *industry*, and to dishearten and discourage men of every profession and occupation from pursuing their business *on any large scale* or to any *great effect*, and therefore will prevent the production of those supplies derived from husbandry and manufactures which are essential to our safety, support and comfort. Few men will bestow their labor, attention and good money, with zeal, to procure goods and commodities for sale, which they know they must sell for money which they esteem bad, or at best doubtful. This proposition is so obvious and natural that it strikes the mind with conviction at first sight without proof, and is so amply confirmed by our past experience that it can admit no doubt as to its truth or consequence.

The extent and dreadful effects of this are *unavoidable and immense*. If the industry of the farmer and tradesman is discouraged, and they cease to lay themselves out for large crops and fabrics, the consequence must be an universal diminution and scarcity of the produce of the country and most important articles of living, as well as commerce. The general industry of the country is of such vast importance, is an object of such magnitude, that to check it, is to bring on ruin, poverty, famine, and distress, with idleness, vice, corruption of morals, and every species of evil; but enumeration or enlargement is unnecessary here.

As money is the sinews of every business, the introducing a doubtful medium, and forcing it into currency by penal laws, must weaken and lessen every branch of business, in proportion to the diminution of inducement found in the money.

2. The same thing will *render the procurement of supplies for the army difficult, if not utterly impracticable*. Most men will hold back their goods from the market, rather than sell them for money of a doubtful credit; and there will be no possible way of collecting them, but to send a *superior force* into the country, and there take them by *violence* from the owner, which will occasion such an expense as will *double the cost* of the supplies by the time they get to the army, be subject to a thousand *frauds*, etc., etc., etc. This is the most obvious and natural operation of the act, if we consider its own nature only, and is confirmed by such ample experience, recent in the memory of every man, that it can leave no doubt but all this train of mischief must follow the act from its first operation.

3. I apprehend the act will, by its natural operation, tend to *corrupt the morality of the people*, sap the support; if not the very foundation, of our *independence*, lessen the respect due to our *Legislature*, and destroy that *reverence for our laws*, which is absolutely necessary to their proper operation, and the peace and protection of society. Many people will be so terrified with the apprehension of seeing their real substance, the fruit of their labor and anxious attention, converted into a bundle of paper bills of uncertain value, that, to avoid this evil, they will have strong inducements to rack their invention for all devisable ways and methods of avoiding it; and this will give rise to such numberless *frauds, ambiguities, lies, quibbles and shams*, as will introduce the habit and give a kind of facility to the practice of such guile and feats of art, as will endanger the *uprightness, plain honesty and noble sincerity* which ever *mark* the character of a happy and virtuous people.

Many who wish well to our independence, and have many necessities for our army which they would wish to supply, will yet be held back from offering their goods, from the sole consideration of the doubtful value of the bills in which those supplies must be paid for; and instances of this sort I conceive will be so numerous, as greatly to affect the supplies of our army, and of course the support of our independence. The injuries and sufferings of people, who are compelled to take said bills in satisfaction of contracts for real money, will induce them in their rage, to use the legislature, who formed the act, with great liberty, and perhaps gross disrespect; whilst the habit of reproaching the legislature, and eluding the injurious act, will become general, and pave the way to an habitual and universal abhorrence of our legislature and contempt of our laws, with a kind of facility and artful dexterity in eluding the force of the whole code.

I freely submit it to my reader, if these consequences are at all unnatural or ill-drawn, if the surmises are at all groundless, or the painting a whit too strong. Not art of government is more necessary, than that of keeping up the dignity and respectability of the legislatures, and all courts and officers of government, and exciting and preserving in the hearts of the people a high reverence for the laws; and anything which endangers these great supports of the State ought to be avoided as a deadly evil.

4. The act, I apprehend, will give a bad appearance to our *credit, honor and respectability* in the eyes of our neighbors on this continent and the nations of *Europe* and other more distant parts of the world. For when they come to be informed that our *own people must be compelled*, by the loss of half their estates and imprisonment of their persons, *to trust the public faith*, they will at once conclude there must be some great danger, some shocking mischief dormant there, which the people nearest to and best acquainted with it abhor so much; and of course, as they are out of the reach of our *confiscations and imprisonments*, will have little inducement to trust or esteem us. And

5. Will give great *exultation and encouragement* to our *enemies*, and induce them to *prolong the war*, and thereby increase the horrid penalty of imprisonment, which is to last during the war. When they see that our money is become so detestable that it requires such an act as this to compel our own people to take it, they must at least be convinced that its nature is greatly corrupted, and its efficacy and use nearly at an end. When we see the passionate *admirers* of a great beauty *forced* by lashes and tortures into her embraces, we at once conclude that *she* has lost *her charms*, and is become *dangerous and loathsome*.

It cannot be fairly objected to these strictures that they suppose the bills funded by this act are of less value than hard money. The act itself implies this. The Assembly never thought of wasting time in framing an act to compel people to take guineas, joes, and *Spanish* dollars, under penalty of confiscation and imprisonment. Besides, the fact stands in such glaring light in the eyes of all men that it is mere trifling to dispute it.

I dare think that there is not a man to be found, either in the Assembly or out of it, that would esteem himself so rich and safe in the possession of 1000 of these dollars as of 1000 *Spanish* ones; and the most effectual way to impress a sense of the deficiency of the act on the minds of all men, and even discover the idea which the Assembly themselves have of it, is to enforce it by penalties of extreme severity; for were there no deficiency in the act, it could not possibly require such penalties to give it all necessary effect, nor is it supposable that the Assembly would add the sanction of horrid penalties to any of their acts, unless they thought there was need of them.

The enormity of the penalty deserves remark. The penalty for *refusing* a dollar of these bills is greater than for *stealing ten times the sum*.

Further, the act alters, and of course destroys, the nature and value of public and private contracts, and of consequence strikes at the root of all public and private credit. Who can lend money with any security, and of course who can borrow, let his necessity and distress be ever so great? Who can purchase on credit, or make any contract for future payment? In very deed all confidence of our fellow citizens in one another is hereby destroyed, as well as all faith of individuals in the public credit.

Upon the whole matter, the bills must rest on the *credit of their funds*, their *quantity*, and other *circumstances*. If these are sufficient to give them a currency at full value, they will pass readily enough without the help of penal laws. If these are not sufficient, they must and will depreciate, and thereby destroy the end of their own creation; and this will proceed from such strong natural principles, such physical causes as cannot, in the nature of the thing, be checked or controlled by *penal laws*, or any other *application of force*.

These strictures are humbly offered to public consideration. The facts alleged are all open to view, and well understood. If the remarks and reasonings are just, they will carry conviction; if they are not so, they are liable to any one's correction.

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Each number contains a **special discussion** of some Sound Currency question.

If it be said that a negative proof is valueless, and that quotations habitually given on a gold basis might not unnaturally show little variation by comparison with gold, it is clear that no such criticism will apply to changes in the direction of the gold changes but exceeding them in amount, in the appreciation of wages relatively to gold while gold is itself appreciating. Yet nothing can be clearer to the eye than that that very thing is what wages have done since the return of peace to our land. And just that have wages done in Europe at the same time—starting at a lower point, bringing up at a lower point, but following the same general rate of increase. Manifestly the just measure of wages in the period here covered has not been silver. If it be desirable on any account to preserve a constancy in the compensation of labor, to provide that the sum which shall represent so many days' work at one date shall not represent fewer days' work at a later date, on that account is silver inferior as a standard. Its claims can be upheld only by proving the total unfitness of human labor as a measure of value, and that has not been done.

A STABLE MONETARY STANDARD.

A PROBLEM IN PRACTICAL SCIENCE.

HENRY FARQUHAR.

LEGAL TENDER AN INTERFERING FACTOR.....	498
STABILITY IN VALUE.....	499
AN APPRECIATING STANDARD.....	499
A DEPRECIATING STANDARD.....	500
STANDARDS OF VALUE.....	501
THE COMMODITY AND LABOR STANDARDS.....	502
STABILITY AS SHOWN BY STATISTICS.....	504
INTERPRETATION.....	507
THE GOLD STANDARD INEVITABLE.....	509
A DOUBLE STANDARD A SYSTEM OF "PUTS".....	510
PRACTICABILITY OF BI-METALLISM	511
CONCLUSION.....	514

A STABLE MONETARY STANDARD.

It is doubtless true that the progress of opinion, on the important practical questions which lead to political divisions, has not been greatly influenced by scientific research or the guidance of scientific men. The substantial triumphs of politics, in the carrying of national elections, or the forcing of contested measures through the many resistances offered by the legislative apparatus, are generally achieved by forces quite different from those which discover and establish scientific truth. Like the successful commander in aggressive warfare, who carries a coveted position by the impetus of an irresistible force hurled against it, the skilled political leader seeks to sway a mass of voters or of legislators by bringing to bear upon it a mighty wave of popular feeling; and, in comparison with emotional fervor, the most effective stimulus to action, sets little store by carefully weighed judgment, the most effective restraint on hasty action, an agent far less fitted to serve his purpose. The faithful votary of science trusts all to judgment and nothing to emotion; he controls no force which can roll up majorities; he is therefore left out of account as a factor in political movements.

Yet despite these facts, or rather in large measure because of them, there are no questions more loudly crying for the brightest light which the purest science can throw upon them, than these very questions of practical politics. Not that the working of political machinery, by any such methods as now control that machinery, should be in the hands of people of scientific training, or that—in plain English—there is need of a corps of scientific bosses; for, put in a position where success is the highest acknowledged good, the man of science will only seek the same success that others seek, and avail himself of the same tactics. Indeed, it must be confessed that scientific training and an extended knowledge of scientific truth may fail miserably in leading to a truly scientific method of treating questions in which the interest is emotional. Men of science are tempted in all points as other men, and sometimes yield. Rhetorically, a sweeping generality or dogmatic assertion is usually more effective than the best guarded conclusion from carefully sifted data, and even a scientific man may sometimes condescend to the use of it. The contribution which science can make, and ought to make, to politics is by a contrast of objects, not by a rival pursuit of the same objects; by a loyal adherence to methods which lead to the establishment of truth, in opposition to all methods of merely acquiring control of affairs through victories at the polls; by being unfalteringly faithful to itself. While, therefore, it is highly desirable that science should fearlessly meet and (where possible) resolve political questions, it is essential that this be not done as politicians do it; that arguments addressed to prejudices and private or party interests be banished; that justice be done to every morsel of truth, from whatever school or faction it is brought forth; that no conclusion be taught as orthodox doctrine till it has been stoutly buttressed by impregnable premises.

LEGAL TENDER THE INTERFERING FACTOR.

If any political question has an especial claim upon the attention of a scientific association, or especially needs the application to it of scientific principles, it is that of the monetary standard, one of those inevitably arising from the possession by the national Government of the power of legalizing a tender for debts. It hardly needs to be pointed out that if this power, as to which the Federal Constitution is silent except in the clause where its exercise by individual States is restricted, and whose use by the general Government is justified only as an indirect inference from the powers granted, to regulate the value of coins and to raise money on the credit of the United States—if this power of legal tender did not exist, the question of the monetary standard would settle itself. No legal standard governs the dealings of independent countries with one another; and if the Government assumed no right of declaring a legal tender in private commercial transactions, such transactions would rest upon the same basis. The standard of payment for any contract involving money would be found expressed or implied in the contract itself, and legislation would have nothing to do with the matter, except so far as it is within recognized legislative power to enforce or to impair the obligation of contracts. Legal control over the standard of values or payments must be based on the assumption that private contracts may raise a question which they may not satisfactorily settle—or, to state it more exactly, that what was recognized as money when a contract was made is not necessarily suitable to be recognized as money when the contract comes to be fulfilled, so that the suitable something must be declared by the law-making power. This assumption, whatever may be thought of its merits, has come to be accepted as a part of our inherited scheme of government, and the practical question is, how best to proceed under it.

STABILITY IN VALUE.

That stability in value is the essential requisite of the monetary standard, seems incontestable. But what shall constitute stability? Since the word means ability to resist disturbing forces, and since the ability to resist depends on the nature of disturbing force, what kind of force does it most concern us to resist? Value itself, too, is essentially a relative quality, which a thing has not independently, but only with reference to something else; and what is that something with reference to which the standard of values should be stable? Neither of these questions should be neglected in a complete consideration of the subject.

The disturbing forces which the value of the monetary standard ought to have ability to resist, are those which interfere with its functions as money. Taking up the uses with which money has been credited, and inquiring what interferences with those uses are to be avoided, we have no difficulty in deciding (1) that, as a medium of exchange, it is sufficient if a stability of value is maintained until the exchange is completed, so that the only fluctuations we have to fear are the violent ones which derange prices during the short interval between our sales and our purchases, the more gradual changes, extending over years or even over months, being practically indifferent; (2) that as a common denominator or measure of value, it is the rapid and not the gradual changes that prove real obstacles to the money function, for to the latter the mind can accustom itself, practically, as well as to perfect constancy—particularly in view of the fact that subjective values, the uses which the same objects have for us, in course of our own growth and maturity and senescence, themselves change far more widely than the money metals have ever changed; (3) that as a standard for deferred payments, the constancy required is for the period, longer or shorter, between the time when the payment is promised, and the time when it is made; (4) that as a store or hoard or convenient form of dormant capital, money should hold a constant value for the time—usually short—during which it remains stored. With all uses of money except the third, therefore, slow changes in value, requiring years to become perceptible, do not injuriously interfere, and need hardly be considered. With regard to its use as a standard for deferred payments, any changes in its value, not contemplated by the contracting parties, must of course be injurious to one of them and unfairly favorable to the other, whether the change be slow or speedy. But the case is different with gradual changes in process when the contract is made. Any factor which is to affect the value of an anticipated payment is naturally taken into account in estimating the present worth of that payment. Adjustments of this kind are made in fixing the rate of interest, which is necessarily higher when the unit of value is depreciating, and lower when it is relatively increasing, since interest is, as precisely as the word can be defined, the difference between the value of present money and the present value of future money. The general conclusion is that for all purposes except that of discharging a very small proportion of the obligations in force (a proportion which, it ought in justice to be admitted, is not quite so small in respect to total amount as in respect to number, for some of those obligations are for large sums) a gradual change in the monetary unit is of slight importance, and the only serious changes are the short, sharp, sudden ones. Stability is here like seaworthiness in the ship, of which very little is required to ride the slow tidal waves, and hardly more to withstand the great swells, but which is called into full exercise in bearing up against the chopping sea. Our unit of value should steadily ride the chopping seas of ebbing and flowing commerce.

AN APPRECIATING STANDARD.

The direction in which these disturbing forces act is a question of some importance, and is thought to have more importance than it has. Is there a foundation for the doctrine so zealously taught, that a change in one direction is hurtful or dangerous, and a change in the other harmless or even salutary? It is quite true that more complaint has been made of falling prices and appreciating currency, said and believed to be scarcer, than of advancing prices and baser currency, credited with being plentier and “easier”—or at least that the former kind of complaint is always favored with a louder popular echo—because the debtor has readier access to the sympathy of his fellows than the creditor can ever hope for; but what reason can be given in its support, apart from the appeal to prevalent partiality? The public interest, we are reminded, is more with the debtor, because social progress is largely due to his hopefulness and enterprise. We are even told that “a market that is constantly falling as a result of an appreciating currency . . . is perhaps the most deadening and benumbing influence that can touch the enterprise of a nation.” Capital is discouraged from production of goods whose price is falling, drawn out of businesses in which the community is served and into idle hoarding. Nor is this the final clause in the chapter of ills, for in a growing scarcity of money we are to read the doom of civilization itself; the good old Tory historian Alison being drawn upon for sonorous

demonstrations that the night of the Dark Ages, following the fall of the Western Empire, was brought about by a failure of the money supply, and that the modern revival of culture is a direct outcome of the quickening of Europe by silver from Potosi. The list of arguments of opposite tendency, favoring appreciating money and the creditor's side, is very much shorter. The most important of them is the interest of the laboring man, which is unquestionably, though too many people fail to realize it, altogether that of the creditor. "The creditor class," so often portrayed in appeals to imaginative sympathy, is made up of corpulent capitalists, clipping coupons in lazy luxury, swarming the multifarious pleasure resorts along the Atlantic coast, whenever not in prosecution of their unblest machinations in Wall street—the creditor class of sober fact includes as its most numerous and practically most important element, the scores of thousands of manual laborers whose wages are in arrears—toiling men and women whose compensation has been postponed, or who voluntarily leave funds in the hands of their employers because believing them safest there.

To this briefer showing of arguments the reply may be in like manner briefer : it is enough to say that arrears of wages, though the amount of them may reach a huge figure in the aggregate, are rarely large in any individual instance; and that the times for which they remain due are measured usually by fractions of a month, rarely prolonged to many months, so that the suffering that would be caused in any case by a depreciating unit of value must be, unless the depreciation were violent, inconsiderable. To advocate an appreciating unit of value as a measure of deliberate policy, for the sake of the advantage that would accrue from it to the great body of wage-earners, would be, moreover, practically futile. Any movement of this kind, by which the working man could be benefited, would infallibly be discounted to his disadvantage beforehand, by the same management that great manufacturing firms now use, when they cut off the profits which more economical applications of machinery would otherwise bring to their piece-workmen, through successive reductions of their rate of compensation per piece. We may depend upon it, the first benefits of social changes of any kind are going to come always to those most and not to those least able to foresee them.

A DEPRECIATING STANDARD.

But how about the supposed reasons for preferring a currency whose value is gradually sinking ? The advocates of such a currency do not usually, it is true, lay stress so much on the depreciation as on the greater abundance of the material forming the measure of values. This is what they delight in calling a stimulus, and its effects are indeed analogous to those of the stimulus physiological. It gives not strength, but a feeling of strength; it brings out energy for present expenditure by drafts on the reserve, which drafts must some time be met in full without default; it may be very useful in tiding over a season of low vitality, but is reckless folly when there is no abnormal demand to be met. Very little attention need be paid to the instances from history, adduced to prove a high civilization the result of an abundant gold and silver supply, simply because in this supposed proof, like so many others which the economical inquirer is called on to examine, the relation of cause and effect is reversed. It is indubitably true that a higher stage of civilization will bring to light and find use for more of the precious metals than will a lower, and in that truth we have all the explanation we need for the coincidences exploited by Alison.

The question of business enterprise may be treated with somewhat more gravity; for enterprise is a blessing not to be decried, still less to be sacrificed, or even needlessly endangered. But so far as this blessing depends on the reward awaiting it, we must admit that a gradually depreciating currency will not certainly insure it if the depreciation can be foreseen and allowed for; since the fact is well established, that interest is higher on a depreciating and lower on an appreciating capital, so that the enterpriser must pay out in that way what he makes in the other. Then how far is it true that a moderate tendency to depreciate will have the effect of keeping capital active that would otherwise be hoarded, thus providing more work for willing hands and more efficiently serving the community ? This is an argument of high plausibility; in fact it might even be admitted to have a considerable share of truth in it, but that it fails to take proper account of the real causes and conditions of hoarding money; for is it not a fact of experience that money is kept idle, rather from a fear of losing it altogether than because the return from its investment is thought too low ? We all know that investments believed to be unimpeachably safe, such as the bonds of a solvent government, never fail to draw out money that remains hidden from others of far fairer promise but of less security. Can there be any doubt that the tendency appealed to in this very argument, the attraction of money to better-paying investments, would be effective in drawing it to even a low-paying enterprise in preference to no interest at all, if entire safety were assured ? Otherwise expressed : "The greatest part of the evil of a diminishing money supply is wrought through the discouragement

of enterprise, through the diminution of legitimate profits, through the preference given to all investments of capital which result in a fixed charge upon production, over those which involve a participation in the gains or losses of active business." This sentence is quoted from one of the ablest and most celebrated economic writers our country has produced, but even the respect commanded by his name, standing and work are insufficient to give it practical justification. The returns of investments resulting in a fixed charge on production depend inseparably on the returns of the production, and must necessarily rise or fall with them. The law of demand and supply suffices to prevent too attractive investments from becoming disproportionately profitable. As a matter of observation, business enterprise is subject like "animal spirits" to ebbs and floods, all uninfluenced by the state of the currency—or rather, indeed, moulding for itself a currency in accordance with its own unrestrained caprices—and the stronger the floods the lower will be the ebbs. Each in its own way, our sad collapses of 1837 and 1857 and 1873 are all traceable to over-stimulated business enterprise, and warn us unmistakably that even so good a thing can sometimes be redundant.

It may well be doubted whether an avowed and deliberate encouragement of debtors as a class is good policy, notwithstanding their enterprise and progressiveness. The objection that too much encouragement may make them too enterprising and too progressive, is not less well-founded than obvious; but a more serious objection arises from inquiry at whose expense the encouragement must be had—what important section of the creditor class there is, gifted with neither the power nor the skill nor the knowledge to escape the consequences of money depreciation. Plainly the laborer must bear the expense of it, because he alone is unable to contrive to avoid it. The capitalist can refuse to lend, or to extend loans, except at higher interest; the working man must enter the market with his only merchandise, the toil of his hands, which must be disposed of for what it will bring, at once, or else be lost. The necessity that the laborer must suffer in his earnings when money depreciates is all but self-evident. The fact that he does suffer is clearly proved by Mr. Atkinson's investigations, and can also be read from the accompanying chart, where values in wartime are reduced from paper to specie. Finally, the difference does not seem to be vitally important, whether a currency depreciates as a direct result of its greater abundance, or from any other cause whatsoever. An increased abundance to which the limits have become evident, as from the opening of mines whose production has begun to fall off, is less hurtful as a source of depreciation than one to which no one knows where to set a limit; but the difference is of quantity rather than quality. The value of money could be destroyed as hopelessly, and essentially in the same way, by unlimited increase in quantity as by unlimited debasement in composition.

This assumption, that the good of society might be advanced by money growing cheaper, has called for a much more elaborate refutation than the rival assumption that benefit is to be had from money growing dearer. The reason is merely that the one assumption is more frequently made than the other; not that there is any essential difference in point of demerit between the two. Whether it be appreciation or depreciation, every change in the standard by which values are reckoned is more hurtful than helpful, and the chief consideration determining the degree of hurtfulness is that it is greater the more sudden, and less the more gradual the change. But the important question, what is to constitute a change, and how we are to estimate the degree of it, or even the existence of it, yet remains unanswered. It need hardly be confessed that if we are without means of satisfying ourselves whether a change has occurred, or what kind of a change it is that has occurred, the discussion of this subject must be lacking in practical interest.

STANDARDS OF VALUE.

A change in value, like change of every kind, is unmeaning except in relation to something which is understood not to change. What, in the case of values, is or ought to be that something? This is a question to which we give a practical answer every day, in terms of our customary currency. Precisely the same inquiry, over which we thus puzzle, is every hour receiving its hundred thousand answers, wherever a commercial transaction is conducted or any estimate of worth or price made. And are those hundred thousand answers as satisfactory as the best answers to which our closest reflection can lead us? In all but a small minority of cases, yes. In all but a very few of that minority—perhaps a few dozen out of the hundred thousand—the answer, in terms of customary currency, is seriously unsatisfactory only when the fluctuations of that currency are abrupt and violent. But of course the true measure for which we are seeking ought to suffice for these few exceptional cases also, as well as the great mass of cases for which any accepted measure suffices. Thus there was a decided contradiction in our estimates of the natural unit of value, in the war and reconstruction days when there were widest changes in the factor that we knew as "the price of gold." As this price rose or fell, other prices rose or fell with it, and this had in many ways the effect

of a real movement in values, for people acted and felt, when the currency price was higher, as though they were receiving a larger return for their merchandise, and when it fell off, as though they suffered a real loss. But for those who dealt with other countries where there were no such fluctuations, there was no such reality. Among the more reflecting of our people, even without the evidence of foreign trade to remind them, there was all the time a sense that values were not changing as prices changed; and yet, so strong is the tendency to look upon the nominal unit as a true unit, few of us who have had anything to do with statistical investigations can have failed to see more than one interesting and promising inquiry, dealing with values, sadly vitiated by a naive use of the census figures for 1870 as if the "dollars" in its tables had the same meaning as those for 1860 and 1880, and as if any conclusions worth considering could be reached with regard to the variations in business and consumption in the two decades before twenty per centum had been struck off from all the returns for 1870. In making this correction we are practically accepting the gold standard as uniform; and it has never been doubted that gold is a better standard than a mere promise of gold, a probability of gold, whose value has not only all the uncertainties attaching to gold itself, but in addition to these the greater uncertainties attaching to the power and disposition of the government to make good its promise.

To assume gold as intrinsically the uniform measure of values, without further reflection than is founded on seeing it accepted in the coinage of sundry countries, a distinction which it owes to the physical properties that make it convenient, while the difficulty of procuring it insures us against a glut of it; this is only one step in advance of assuming that the word "dollar" always denotes the same value. It is convenient rather than convincing. Undoubtedly we can, if we please, arbitrarily define uniform value as gold value, and logically draw all manner of conclusions as necessary consequences from that definition; but that method is scholastic rather than scientific. Value is based on demand, and a demand so essentially conventional as that for gold would not form a natural foundation of value.

COMMODITY AND LABOR STANDARDS.

It seems eminently reasonable that the unit of value should be that which meets a unit demand; and two ways of estimating this latter unit—each of them a species with varieties—have been advocated. The first of these is by the composite or tabular standard: a number of articles of general consumption is taken to form a mean price; this mean being either a simple average, or one with its components weighted according to estimated consumption; the demand for a fixed amount of this average commodity is assumed as a uniform demand, and therefore as answering to a uniform value. By this reckoning, if the gold price of the adopted average commodity falls, this is accepted as proof that the demand for gold has relatively increased, and that therefore we ought more properly to say that the value of gold has risen. In the second way of estimating, demand enters with a negative instead of a positive sign. We deal no longer with the good things of this life which man seeks to acquire, but with the hardships he seeks to escape. The typical negative demand is the curse of Adam, and so in the amounts of labor that this or that commodity can command, we are to read its true value. The value unit is thus, like the great Joule unit of physics, based on energy. By this reckoning, if the gold price of the adopted unit of human effort—the average of several modes of applying it being used, to avoid variations merely casual—if that price rises, this is accepted as proof that the gold unit has lost part of its power to command human energy, and that therefore we ought more properly to say the value of gold has fallen.

Which of these two reckonings is the true one? Each of them in turn is again and again assumed as though no cloud rested upon its title. In one popular treatise on political economy—a work of many excellent points, by the way—the tabular standard, obtained by averaging carefully chosen proportions of some twenty widely consumed commodities, receives the name of the "absolute" unit; and there is no lack of examples equally decided on the other side.¹ A thoughtful and skillful comparison of the two has been made in a paper on "The Standard of Deferred Payments" by Prof. Edward A. Ross, where the question was divided into two: "(1) as to the ultimate standard of value, (2) as to the destination of the benefits of industrial progress"—of which the second may safely be dismissed, because its answer is logically involved in the first. According to Professor Ross, "it is not difficult to show that the labor value theory rests upon a faulty analysis. A good possesses value or importance not on account of its past but on account of its future; not because it embodies past sacrifices, but because it promises future satisfactions. * * * As is evidenced by the course of trade between nations at different economic stages, values are determined not by cost but by utility." It is true, value is something that looks forward and not backward, and so regards not the cost at which the good has been attained in appraising it; but however effective this now generally admitted truth may be in over-

¹ The question "Has Gold Appreciated?" is discussed in a recent pamphlet by Mr. C. C. Jackson, and answered on the labor-value principle in the negative.

throwing the doctrines of David Ricardo, it does not yet take the life out of the labor-value theory, for the simple reason that that theory, or the form of it which concerns us at present, really rests, not on the "faulty analysis" which Professor Ross so easily exposes, but as essentially as the commodity-value theory on utility. It reckons value not by the labor a good has cost, but by the labor that that good will command, in exactly the same way that the rival theory considers the commodity that will be rather than that has been paid, in the same reckoning; and utility enters the equation with a negative sign, because labor is precisely negative utility. There is of course a real foundation for the contrast between "past sacrifices" and "future satisfactions," since when we regard the case of money in the hands of a wage earner the labor represented by it belongs undoubtedly to the past and the commodity to the future—this being a consequence of the law by which men must earn before they can spend. But this is not the whole of the matter; the prudent wage earner always looks on beyond the satisfaction promised from the commodity he would have, to the cost of replacing the money expended—if I buy this article, he says, I must do a day's or a week's work before I can regain an equal power to supply my wants. Plainly then, the order in which money payments are made should not be regarded a vital point, in fixing on a standard of values or of deferred payments. Professor Ross rightly treats this question, affecting as it does the equity between debtor and creditor, as mainly ethical; but there is as little equity in paying the working man for less labor than he expended, as in exacting of the debtor more commodity than he gave. Negative utility is ethically no less important than positive.

If it has been thought worth while to meet the attacks made upon the labor-value theory by those committed to its rival, this has not been from any notion that labor of any kind, or even of a great many kinds cleverly averaged, gives us the infallibly true standard of values. In truth, either of the two proposed scientific measures of value, if applied with logical thoroughness—if subjected, in other words, to conditions that really test it,—leads to a glaring absurdity. It is needless here to reiterate the familiar distinction between value in use and value in exchange, or the demonstration that one of these is not at all proportional to the other. The commodity theory substitutes use-value for exchange-value, where the latter is manifestly the thing sought. It pays close attention to demand in its estimates, and none at all to supply. The obligation that might equitably have been discharged with thirty-six pounds of sugar at 14 cents is not equitably discharged with the same quantity at 4 cents, unless sugar is specifically named in it; nor can we pay it with a pound of aluminum at 60 cents, though the same pound might very properly have paid it when the price was \$5. If this is true of sugar or aluminum, why should it be untrue of the average of twenty articles, all subject in greater or less measure to the same conditions of cheapening production? An effective *reductio ad absurdum* of the other theory has already been indicated in one of the quotations from the paper of Professor Ross, where he insists on the important difference in the value of the same amount of labor "between nations at different economic stages." The principle which is neglected in the proposed measure, is that the value of labor depends on the way in which it is applied, to a perhaps greater degree than on the amount of it. So far from being economically the same thing as labor directed by high intelligence, labor directed by crude intelligence is something so different that it seems almost absurd to call it by the same name. If labor in general is now better paid than it was thirty years ago, this is largely—perhaps altogether—because in so many trades, enough to beneficially affect the whole, men have learned to give it that better direction on which its higher value depends.

Unsatisfactory as are all the solutions hitherto proposed, there seems to be no other direction in which we can look. The uses to which the customary measure of value is most largely applied are in the purchase of commodities, and in the requital of services. It is in those relations that we most want it constant; and how, then, can we more suitably judge its constancy than by seeing that it shall bring the same amount of commodity or the same amount of service? Making exception of cases admitted to be extreme, and acknowledging the approximate and relative character of any results we may reach, that is about the best that can be done. Averages may be used to reconcile minor irregularities, where the quantities averaged are not too discordant; and wages may fairly be admitted on equal terms with prices, in making our estimate. There seems to be no valid ground for giving wages the greater weight, and it has already been shown that they should be allowed no less. In one form the money comes in and in the other it goes out; its goings and comings are equal in importance as in amount. But it is not worth while to combine wages and prices into a composite, by which all values are to be measured, for the absolute unit is a chimera. We can get along without one, however, after a fashion, by applying the simple principle that when two articles change in relative value, the change is to be charged to the one whose demand or facility of production has varied. Accordingly, we can at least be certain that aluminum, or petroleum, or steel rails will not do as a general measure of values, even without determining precisely what will do. In this way, under all reservations, we may set about the consideration of the question whether gold or silver has proved better adapted for the functions of a standard since

the beginning of the recent changes in their relative value. We may be unable to devise, or even certainly to define, a stable monetary standard in any absolute sense, but we can determine whether the one or the other metal shows a nearer approach to our indefinite ideal, and even show more or less satisfactorily why.

STABILITY AS SHOWN BY STATISTICS.

The three diagrams which present this comparison to the eye are based on data from the Statistical Abstract of the Treasury Department, for the one at the top, and from the Report on Wholesale Prices, Wages and Transportation prepared for the Senate Finance Committee in 1892, by Hon. C. D. Wright and other officers of government, and collated by Prof. Roland P. Falkner, for the two below it. The two upper diagrams both relate to prices in the United States, the lowest one to England. In all of them

TABLE OF RELATIVE PRICES AND WAGES; GOLD AND SILVER VARYING RECIPROCALLY.

Year.	U. S. Export Prices ; Fiscal Years.				U. S. Prices for January ; Senate Report.					England, Calendar Years ; Senate Report.					Wages ; C. L. Rep't.	
	Gold	Silver	11 Foods	19 Comm.	Gold	Silver	53 Foods	223 Comm.	Wages, 17 Ind.	Gold	Silver	19 Foods	45 Comm.	Econ. 21 Comm.	French C. & I. O.	German C. S. & W.
1850					102.1	97.9	87.3	91.1	92.8	101.3	98.7	76.9	79.5			
1851					100.4	99.6	91.0	99.0	91.5	100.6	99.4	75.6	77.6	84.5		
1852					101.1	98.9	89.7	99.0	92.8	101.0	99.0	77.5	81.6	76.6		
1853					100.6	99.4	101.8	105.6	93.8	100.1	99.9	93.6	97.0	87.6	80.2	
1854					100.2	99.8	106.1	105.2	96.0	100.1	99.9	103.2	106.3	98.8		
1855					100.5	99.5	112.4	109.7	98.0	100.3	99.7	104.0	103.4	96.4		
1856					100.7	99.3	111.9	113.1	98.7	100.3	99.7	101.5	103.1	102.5		82.8
1857					100.0	100.0	117.5	114.0	99.2	99.9	100.1	105.0	106.8	109.7		87.2
1858					100.4	99.6	95.0	113.6	98.3	100.3	99.7	90.3	93.6	96.5	95.3	88.8
1859					100.2	99.8	99.0	103.1	99.9	99.7	100.3	90.8	94.9	95.2		91.2
1860					100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		92.9
1861					100.6	99.4	96.4	94.7	101.3	100.7	99.3	100.0	100.3	102.6	103.2	99.3
1862					100.6	99.4	108.3	102.2	101.8	100.2	99.8	96.7	105.7	109.7		98.0
1863					100.4	99.6	92.1	91.5	82.2	100.3	99.7	92.1	109.6	136.4		93.4
1864					100.3	99.7	106.9	111.0	86.5	100.3	99.7	91.7	112.6	145.2	109.0	95.5
1865					100.5	99.5	100.6	107.9	69.0	100.5	99.5	95.7	106.3	136.2		96.4
1866	98.8	101.2	121.2	124.5	100.5	99.5	124.7	134.7	111.7	100.4	99.6	99.2	106.9	133.7	116.1	107.1
1867	99.1	100.9	105.3	105.2	101.0	99.0	123.0	124.4	123.0	100.9	99.1	104.5	104.8	116.5		108.1
1868	99.4	100.6	111.6	102.2	101.4	98.6	120.3	127.4	120.8	101.0	99.0	103.7	104.1	100.7		110.9
1869	99.4	100.5	117.3	108.9	101.1	58.9	121.4	113.5	124.9	101.0	99.0	98.7	102.9	106.2	125.4	111.8
1870	99.4	100.6	119.7	112.9	101.3	98.7	128.4	120.5	138.7	100.9	99.1	97.5	101.2	106.9	128.4	115.5
1871	99.4	100.6	114.4	106.9	101.3	98.7	154.9	124.5	152.3	100.9	99.1	102.7	103.5	102.1		98.0
1872	99.3	100.7	97.3	99.9	101.0	99.0	123.4	122.6	154.7	101.1	98.9	107.1	113.7	109.9	145.0	123.7
1873	99.9	100.2	98.3	99.9	101.9	98.2	117.4	116.7	150.2	102.0	98.0	114.9	118.9	116.8	153.8	129.9
1874	100.8	99.1	104.4	100.2	102.9	97.2	121.4	120.0	150.1	102.9	97.2	111.9	110.1	113.4	159.0	134.8
1875	101.9	98.1	113.3	104.4	103.9	96.2	120.5	119.1	145.9	104.2	96.0	109.5	104.5	108.0	163.5	139.8
1876	104.3	95.9	114.7	102.6	105.8	94.5	115.4	115.0	142.0	108.2	92.5	113.6	105.5	108.3	164.8	152.2
1877	105.4	94.9	110.9	101.5	104.0	96.2	117.8	111.3	140.8	106.1	94.3	112.2	103.3	105.6	154.2	143.5
1878	105.0	95.2	100.9	92.5	107.2	93.3	113.1	110.6	149.0	108.3	92.3	109.5	98.8	100.9	157.4	152.6
1879	108.5	92.2	83.2	83.2	111.4	89.8	108.7	105.8	155.3	109.7	91.1	103.0	95.1	89.9	161.0	52.0
1880	107.0	93.5	95.3	90.7	108.8	91.9	117.1	114.1	155.6	108.7	92.0	106.8	99.8	100.3	168.4	150.9
1881	107.2	93.3	104.0	97.8	109.9	91.0	121.9	119.1	165.6	109.0	91.7	103.7	96.5	94.6	171.8	159.2
1882	107.4	93.1	118.1	104.8	109.3	91.5	129.8	119.2	167.1	109.1	91.7	103.4	96.0	96.6	173.7	150.1
1883	108.2	92.4	122.2	106.4	111.1	90.0	132.0	118.4	176.9	110.4	90.6	104.0	94.9	94.0	184.3	152.5
1884	108.4	92.2	108.6	97.0	110.4	90.6	120.2	113.3	171.3	110.2	90.7	92.9	87.4	91.1		155.4
1885	109.5	91.3	99.2	90.1	111.9	89.4	110.4	104.4	174.5	112.7	88.7	88.9	85.0	86.5		162.9
1886	112.7	88.7	90.7	84.3	115.2	86.8	114.6	107.6	179.5	116.6	85.8	89.4	84.4	84.4		
1887	115.4	86.7	92.9	86.9	115.4	86.7	120.2	109.1	180.7	117.6	85.0	84.7	83.1	86.9		
1888	117.0	85.5	99.9	90.9	118.3	84.5	129.4	113.8	186.8	119.9	83.4	91.8	88.6	94.6		
1889	118.5	84.4	101.8	91.7	120.8	82.8	135.2	119.0	196.8	120.2	83.2	95.5	92.2	96.2		
1890	116.2	86.0	91.8	85.6	118.3	84.5	123.7	110.8	199.0	113.7	88.0	88.0	86.4	97.4		
1891	112.1	89.2	90.7	83.4	114.3	87.5	118.8	107.9	192.7	117.0	85.5	94.6	88.2	92.6		
1892	118.2	84.6	97.9	86.8	120.5	83.0	*120.9	*109.6	+196.1	124.5	80.3			94.0		
1893	124.8	80.1	111.7	95.7	127.2	78.6	\$124.6	\$116.0	\$210.0	131.6	76.0			97.6		

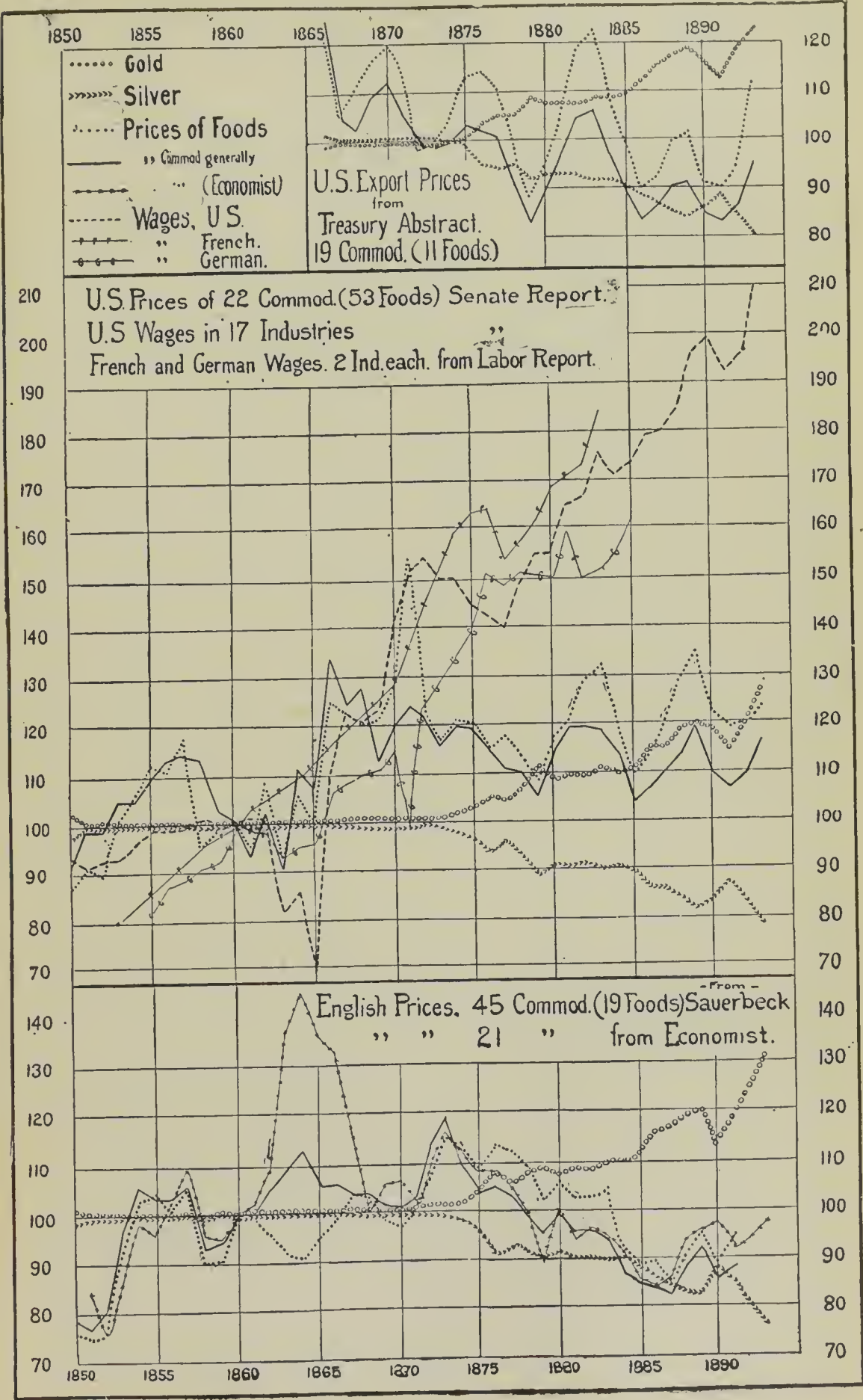
† January prices ; factor in 6th col.

† July, 1891 ; gold 116.6.

* October, 1891 ; gold 118.1.

§ October, 1892 ; gold 126.5.

RELATIVE PRICES AND WAGES ; GOLD AND SILVER VARYING RECIPROCALLY.



the par value is made a mean proportional between silver and gold, so that the two metals vary reciprocally with reference to it; they are denoted by crescents and circles respectively. The full line denotes, in the middle diagram, Professor Falkner's means of all the two hundred and twenty-three articles of the Senate report, weighted according to consumption, while the dotted line is the indiscriminate mean of the fifty-three articles included as "food" in the same list. Corresponding to these, the upper full line is a mean, here unweighted, of nineteen articles in general use—sixteen of the prices are export rates, and three others (Ohio wool, soft coal and pig iron) as reported by dealers in the Treasury Abstract. The dotted line is a mean of eleven export prices of foods. The full line in the lowest diagram is the general mean from Sauerbeck's list of articles: this is preferred because fuller and in slightly better correspondence with the United States figures than the *Economist* list, which is also added in the broken-and-dotted line, for the most part closely agreeing with it. The lowest line of dots only is a mean of the three columns headed "Vegetable foods," "Animal foods" and "Tea, Coffee and Sugar" (the last having half weight) in the summary of Sauerbeck's relative prices. Broken lines in the middle diagram show the movement of average wages, Professor Falkner having weighted the means for seventeen out of twenty-one different industries, proportionately to the number engaged in them according to the Census. All prices in the Senate report are compared with those for 1860, and there seems to be no good reason for changing this. As the Treasury Abstract prices go no farther back than 1866, however, a different date had to be chosen¹ with them, and that fixed upon was the mean of the three 1872-4. In the Senate report, prices are given in gold as well as currency. The Treasury prices for 1866 to '78 are here reduced to gold by dividing by the mean gold premium for each fiscal year. The ratios having been thus put on a gold basis, they were reduced to the chosen mean-proportional basis by first comparing the ratio of gold to silver for each fiscal year (upper diagram), each January (middle diagram), and each calendar year (lower diagram), with the values, 15.78 (for mean of three years, July, 1871, to June, 1874), 15.19 (for January, 1860), and 15.29 (for whole year 1860), respectively; and then multiplying each gold price by the square root of the corresponding ratio of ratios so derived. It may, perhaps, be worth while to add that the reason why neither gold nor silver was chosen as a standard of value, but a geometric mean of the two, so that the rise of value in one of them is exactly offset by a proportional fall in the other, is not because of any notion that such a mean has any practical significance whatever, or ever could have, or that it is desirable for the purposes of any other statistical inquiry than this; but simply because, in deciding between two alternatives, those alternatives ought to be treated as impartially as possible, without discrimination of Trojan and Tyrian. Whether the gold or the silver standard is more nearly followed, is in these diagrams not a question between curve and straight line, but between two curves of opposite course.

The use of the upper and lower diagrams is mainly to confirm the middle one, which is best adapted for the proposed test, because founded on more widely derived and better digested data. It will at once be seen that the two upper curves of price have nearly the same relation to each other and the same general direction as the corresponding middle curves, though taken from an independent source, made up of far from identical (though similar) elements, and very differently treated. Both show a lower height, indicating a lower relative price, for the foods than for the other items in 1866, while after 1875 the foods through all vicissitudes are decidedly and continually higher. Notwithstanding this divergence, the direction of both, after 1866, is more nearly that of the silver price than of the gold; following the former even in its details until 1880, and after that becoming somewhat more nearly parallel to the latter. But it makes a significant difference whether 1872-4 or 1860 is taken as our date of reference. By choosing the former, as in the upper diagram, prices are made to follow silver very closely indeed; whereas the 1860 date brings the prices of the last fifteen years to substantial uniformity compared with gold. The price-curves for England, at the bottom, agree in showing a general diminution after 1873, and no such diminution, but on the whole an increase, before that date. Allowing for the violent changes of our civil war, in market prices as in many other things, almost the same words might be used to characterize the United States curve in the middle diagram; only putting the change of direction at about 1870 or 1871, or perhaps even as far back as 1866, instead of 1873. The relation in price between food-stuffs and commodities in general, is substantially the same in the Sauerbeck list as in the Treasury Abstract list and the fuller list of the Senate report; the foods generally lower for the former half, and uniformly higher for the latter half of the period considered. The divergence of the two from 1862 to 1866 is abnormally large, and is fully explained

¹ A discussion of these prices by Mr E. B. Howell, in the *Review of Reviews* for October, 1893, adopts 1873 as the standard.

by the effect of the single item, cotton, whose price was more than four times greater in 1864 than in 1860. The *Economist* list is generally in satisfactory agreement with Sauerbeck's, but its abnormal elevation from January, 1862, to January, 1867, is even more excessive, cotton being allowed a much greater proportional weight. The divergence after 1886 is more troublesome to explain, but it does not seriously affect the question before us. The effort to get hold of some indication as to the movement of wages in England, within the time here covered, has met with no success; the only statistics to be had are scattered, fragmentary, desultory, showing no approach to a continuous series for any occupation. Hon. Carroll D. Wright, in calling attention to a recent collection of statistical notes on the subject by Mr. Giffen, said that it would take some months' labor of a considerable clerical force to obtain from them any results that could be used as indications of progress.

The wage statistics here depended on to show that the movement in this country is not exceptional, are some scanty and limited returns of coal and iron-ore production in France, and from the cotton spinning and weaving industries in the German Rhine Provinces. The average annual wages per laborer, as tabulated in the first report of our commissioner of labor (on Industrial Depressions), appear to have been found by dividing the total wage-payment by the mean number of laborers; and in combining them, care was taken to allow weights proportional to the number employed; dividend and divisor were added separately, for a new quotient. No combination of French and German figures, in mining and cotton-working, was attempted. The results were compared with 1860 for gold-price ratios, then reduced to a mean proportional between gold and silver, as already explained. They are thus exhibited on the middle diagram, being distinguished from United States ratios by the letters F and G. It will be seen that the course of European wages, so far as we can infer it from these very scanty data, corresponds fairly well with that in this country, shown by the heavy broken line. The general upward course meets a few interruptions in each line; these, in the French and German cases, may very possibly be incidental to the special industries examined. The first exception to the general rule of increasing compensation in this country occurs during the Civil war. Wages nominally increased in those days, every year; but the currency in which they were reckoned lost in value much faster than they increased, so that real compensation fell off as shown. Wages, as is well known, change more slowly than prices; so that, as already indicated, a depreciation in the unit of values makes those who depend on them the worst sufferers. The price-lines, it will be seen, do not show the effect of depreciated currency during the period nearly so much as the wage-lines. The second exception marks the great industrial depression of 1873-78; the third the minor depression of 1884; and the fourth, the one which began in 1890, and still continues. In the chart, there appears to be a sudden depression for 1891; followed by a rapid increase, but that appearance is due to coincident changes in the price of silver. Following the gold standard, and taking account of relative importance, wages rose suddenly in 1889, but became substantially stationary in 1890 and 1891, and showed a very slight falling off in 1892. The figures for 1894, if they could be had, would doubtless show a grievous downfall.

INTERPRETATION.

Now, in answer to the question, which of the two metals furnishes the better monetary standard, the diagrams have a great deal of important information to give us. First, as to the general run of prices of commodities since 1873, when the change in the gold-to-silver ratio first became considerable. The upper diagram shows that prices have followed silver and not gold. The middle diagram likewise, for it is by direction that we must judge, not position. The lowest diagram shows the same thing for England, with even greater emphasis, general prices having there fallen relatively even to silver; though this is less marked with the *Economist* than with the Sauerbeck figures. There is a difference between foods and products in general, the former having had less share in the general downward tendency. This is a consequence of the fact that recent mechanical improvements, bringing greater economies of production and transportation, have affected foods less than other commodities. If the use of a measure of values is to preserve uniformity in general prices, under such conditions as have obtained since 1873, then unquestionably silver is a better measure than gold. Next, carrying the limit back to 1860, we find a noteworthy difference in the answer. As a representative of prices about 1860, as the middle diagram shows us, gold has for the last fifteen years answered very well indeed in the United States. It has the same purchasing power that it had then, far more nearly than silver has. But, strangely enough, the same rule does not hold for England. There, prices still follow silver, and keep strikingly close to it if we consider how careful that country has so long been to accept only gold as its measure of values. What is the reason of this difference? A closer inspection of the price-curves appears to confine it within a few years. There is no very important and lasting divergence between our curve and the British, down to 1862,

nor after 1866 ; for such fluctuations as appear in either disappear again after a few years. But between those two dates there is shown a heavy increase in prices in this country, British prices for 1866 remaining almost exactly what they were for 1862 ; which increase has not yet been offset by a relative decrease. If the U. S. prices for 1866 had been held down to equality with 1862, and had followed afterward the same course they actually followed, they would have been very like the British, and have kept closely to the silver line. The explanation of this increased scale of prices in those special years is found in our revenue legislation, which then underwent its most significant modifications. If we regard the movements of prices in England, where there have been no overhauls of the tariff, as the normal movement, our conclusion that silver has been better adapted than gold to exhibit uniformity in prices of commodities, remains undisturbed by the further extension of the period considered.

But a constancy over long periods of time, it has been already shown, is less important in a monetary standard than a steadiness in opposition to shorter and sharper fluctuations. There are several cases, within the time here covered, of sudden changes in the relative price of gold and silver ; these are represented on the chart by steeper slopes of the gold and silver curves, which mutually approach or recede. Consider first the years 1875-80, where gold shows two rises and two falls in value, and silver of course the reciprocal changes. Prices, as shown in the middle diagram, follow silver with a fidelity, which in the case of foods is quite remarkable. The upper diagram shows the same thing, only the changes in the commodities have a greater range. English prices are less decisive for this period, since they seem to follow gold about 1876 and silver about 1879. Consider next the years after 1888, where the changes are of still greater range and abruptness. Here the price curves follow gold in all three diagrams, thus appearing to show that these important changes affected only silver and not commodities in general ; or, in other words, that it was not gold that altered in value. It may be claimed that this following of gold is merely an evidence of the conservatism of prices, taken in connection with the fact that our business is done on a gold basis ; so that, if we had regulated our prices by silver, they would have been comparatively uniform in that metal, while gold would have appeared to be the wanderer. Professor Laughlin insists that this very question has been recently tested in Santo Domingo, where the currency was silver, the unit a Mexican silver dollar, and yet prices fluctuated with regard to it, whenever its value fluctuated with regard to gold. But this may be taken as proof, not that gold was inherently the steadier metal, but that markets in Santo Domingo, a region of only 400,000 population, are too strongly influenced by prices in this country to show what they would be independently. India, a country great enough to have a market of its own, does not show the effects noted by Professor Laughlin. It may reasonably be admitted, therefore, that the claim has something in it, and that the conservatism of prices, already mentioned, after all forms a far more important factor in resisting these most dangerous changes than the choice of the better adapted metal.

Another very significant point should be borne in mind, in the same connection. The fluctuations of prices which run their course in short periods of time, the very fluctuations against which it most concerns us to guard if possible, were even greater before the two metals so widely parted company in 1873—not only in this disturbed country, but in the comparative quiet of Great Britain—than they have since been by either metal. The food-curves then showed very little more irregularity than those of general prices, and the great upward movement which followed the California and Australia gold discoveries, the reaction attending the commercial depression of 1857, the rise in cotton due to our civil war, and the effects of our increased tariffs, all occurred while the gold and silver ratio continued nearly uniform. Were it not for the existence and importance of this fact, it would hardly have been worth while to continue these diagrams back of 1873. But the proof that we here have, that the greatest oscillations in price come from causes with which divergence in metallic standards has nothing to do, ought not to be overlooked when we are estimating the importance of inquiries into metallic standards.

To the principal irregularities of the heavy broken line, showing the mean wages of labor, regard being had to the number engaged in the different occupations, attention has already been called. Passing over these, which are chiefly downward turns, symptomatic of our greater and lesser industrial depressions, and comparing the curve with those for the two metals since 1873, we see not a single instance in which it shows a change in direction agreeing with that of the silver curve for the same date ; while its correspondence with the gold curve, even in its minute changes, is as striking as is its general agreement in direction, whether we start from 1873 or from a remoter date. We find the upward turn in 1877 and the curious alternation of higher odd years and lower even years between 1878 and 1885, in the gold curve faithfully mirrored in the wage-curve ; as are the downward turns of 1886, 1889, 1890 and the upward turns of 1887 and 1891. If this correspondence be ascribed to the conservatism already spoken

of, which would naturally show itself even more in wages than in prices—if it be said that a negative proof is valueless, and that quotations habitually given on a gold basis might not unnaturally show little variation by comparison with gold—it is clear that no such criticism will apply to changes in the direction of the gold changes but exceeding them in amount, to appreciation of wages relatively to gold while gold is itself appreciating. And yet nothing can be clearer to the eye than that that very thing is what wages have done since the return of peace to our land. And just that have wages done in Europe at the same time—starting at a lower point, bringing up at a lower point, but following the same general rate of increase. Manifestly the just measure of wages, in the period here covered, has not been silver. If it be desirable on any account to preserve a constancy in the compensation of labor, to provide that the sum which represents so many days' work at one date, shall not represent fewer days' work at a later date, on that account is silver inferior as a standard. Its claims can be upheld only by proving the total unfitness of human labor as a measure of value, and that has not been done.

THE GOLD STANDARD INEVITABLE.

If the labor-standard is faulty, as here applied in testing the gold and silver standards, it is faulty by its too great tendency to indicate depreciation. This results from the fact that the labor performed in a given trade to-day, whatever pains we take to pick out trades of the same name and as nearly as possible identical, is not precisely the same thing as the labor performed in it twenty years ago. It is different because its application is different. In many lines, furnished with more effective tools, guided by better educated minds, its product is greater and there is more to pay it with for that reason; and the rise of wages in these lines brings about a general advance, though the intrinsic quality of the labor may be unchanged. On this account the true measure, supposing that measure determined by a regard for intrinsic quality and not extrinsic application of labor, would be one by which wages as here treated should somewhat increase. If the commodity-standard is faulty, on the other hand, it is faulty by its too great tendency to indicate appreciation. The value of a commodity which can be supplied by the hundred-weight becomes a very different thing when the same plant, force, enterprise and capital can supply that commodity by the ton. Though its use-value remains unaltered, the depreciation of its exchange-value is a real phenomenon, and must not be neglected in testing a proposed standard. And since there is no valuable that has not a wide range of other valuables for which it is capable of serving in one way or another as a substitute, the cheapening of one of them, by newly devised economies in production or distribution, brings about the cheapening of a whole group. On this account the true measure, supposing that measure determined by articles for which not only the demand but the facilities for supply remain steady, would be one by which prices as here recorded should somewhat decrease. In fine, the best standard of value would be one whose changes were intermediate between those of wages and those of prices. Silver has represented prices well, though in its very latest plunges it is beginning to outstrip the general run of articles in the downward course, while it diverges widely and hopelessly from wages. Gold, by the same evidence, is rising a little with respect to prices, as there is good reason to believe the accepted standard ought, and at the same time falling with respect to wages, as there is equally good reason to believe it ought. This appears to be a thorough and impartial statement of the facts of the case, so far as these data suffice to furnish them.¹ The champions of silver are entitled to fair treatment, of which even their predilection for the cumbrous name of bi-metallist, and their infliction of an even more cumbrous name on those unable to see as they, should not deprive them.

There is a satisfaction in the conclusion that, however we may account for it, the measure of values generally accepted among enlightened nations so happily combines the qualities that the true measure ought to possess, and this is ample compensation for the trouble taken in collecting and setting forth the evidence on which that conclusion is based. Nevertheless, it should be distinctly borne in mind throughout this inquiry that the question just considered—whether gold does or does not meet the conditions of stability—is one that, however interesting it may be from the point of view of the

¹ This conclusion, notwithstanding the extended use made of the Senate Report in reaching it, is not shaken by the severe criticisms to which that Report has laid itself open. The most important of these criticisms are, (1) that retail and not wholesale prices are the true index of increased or reduced cost of living, and that the former have fallen relatively less or risen relatively higher since 1860 than the latter; (2) that it enormously overstates the rise in wages by its total omission of such important occupations as farm laborers, and by its fallacious methods of averaging figures in the occupations it includes. The first criticism counts in favor of the gold and against the silver reckoning. The second has the opposite tendency; but agricultural labor and the humbler kinds of work not sufficiently weighted in Prof. Falkner's treatment, although their wages have not risen to so high an excess over 1860 as he would have us believe, are yet better and not worse paid, by the gold standard, than at that date.

student or the philanthropist, has no necessary bearing on the practical question—whether gold is or is not destined to become, or rather to remain, the universally recognized standard among peoples whose recognition is a matter of any significance. If a careful examination of the question of stability had showed gold to be as inferior to silver as due attention to the course of wages has proved it superior—as inferior, let it be admitted, as a consideration of prices only, since 1866, would show it—the conclusion would remain yet unshaken, that the future belongs to gold. Better to understand how this may be, let us consider an illustration from another branch of economics. About a century ago, the power-loom and spinning-jenny came into use, also the improved steam engine. The united effect of these was, as has been often explained, to make certain production, particularly that of cloth, more profitable when done in large quantities, and thus to establish the factory system, breaking up, for purpose of general use, the older method of home production—production in small quantities, at places wide apart. Watt and Hargreaves were followed by inventors only less well known, all working to the same end : to build up, aggrandize and consolidate the factory, to enlarge and condense the town. The results of the change, in amount of cloth produced per human producing unit, have been mighty, but its effects on the minds, manners and morals of the workers are open to grave question. Are men better for being packed in such close masses, so reduced to appendages of the machines they run ? How do the smoke, filth and bad air of huge factories and the towns where they necessarily aggregate, compare in healthfulness with sky and field and home ? These questions have often been asked, and made a serious impeachment of the factory system. But another question has always arisen, which has remorselessly swept all these aside : even if the abolition of factories should be proved desirable on all these counts, is it practically possible ? In face of that inevitable, inexorable question every humanitarian or philosopher is driven from the discussion—unless it be Mr. Ruskin. In simple truth, the social force which has been set at work in building and driving these factories has grown too strong to be controlled by any social force which discussion can set at work to fight them. Something of the same sort exists in the case now under consideration. Gold has supplanted silver as a standard throughout the countries which make any large use of money, because economy has compelled it ; and that compulsive force has by this time grown too strong to be counteracted or controlled by any question we may raise of its superiority or inferiority to silver in carrying out the demands of ideal justice. It is not contended that things ought to be thus, so much as that they are thus.

A DOUBLE STANDARD A SYSTEM OF "PUTS."

No treatment of monetary standards can have any claim to completeness if it neglect to make respectful mention of the system of "puts," and to inquire how far the introduction of puts is an aid to the just performance of contracts, or an improvement to the general financial scheme. The put, it is almost superfluous to explain, is a bargain which binds one side and leaves the other free. Doe gives a put by agreeing to pay at such a time such a sum for such a quantity of some article—generally a speculative stock—provided Roe chooses to sell. Roe, who holds the put, is himself under no obligation. This practically amounts to a bet on the price of the stock, in which if Doe loses he forfeits the difference between the named price and the market price, be that much or little ; while Roe's forfeit is in any case the consideration of his option, which is usually cash paid to Doe. The point of chief importance for present purposes is that the option is not obtained by Roe for nothing. Whatever is worth having must as a general rule be paid for, and no one expects to have a put given him gratis.

As applied to the monetary standard, the put system allows a pecuniary contract to be discharged by an option between two metallic expressions of value at a predetermined ratio ; that is, it involves a species of bet on the relative market price of the two metals. If the advocates of puts in monetary contracts were content to have them permitted for those desiring to enter into agreements of that kind, there might be none to take the field against them ; but when it is seen that their object is something more comprehensive, to connect this form of speculation universally with every contract involving a future payment of money, whatever may be the intention or disposition of the contracting parties—then it is not unreasonable to enter a protest. This protest need not leave out of view the fact that all contracts for future payments involve a speculative element inseparable from such uncertainty as may attach to the constancy of the standard of payment, nor the fact that the option which it is proposed to allow, to one of the parties only, is expected to make the contract more equitable and even between them ; it need only speak of this law-imposed put as a needless complication of something that ought to be as plain and easy as possible, and as a piece of unvarnished paternalism. It might also point out that such an imposition is no favor whatever, in the long run, even to the class it is especially devised for the purpose of favoring ; for, just as other puts are sold and not given, so these, if there is anything in them of value to the possessor, can only be

had by his paying the cost. The payment will probably take the shape of higher interest charge—that being the general accompaniment of all forms of uncertainty that a loan will be fully repaid—or else it will be what comes to practically the same thing, a shortening of the supply and greater difficulty in the obtaining of loanable capital. One of the alternative standards of value, indeed, is quite as likely to grow cheaper by unforeseen as by expected causes, and the prudent lender will always guard himself against every risk, in the terms on which he grants his loan; so that the borrower, who is put at additional charge for insurance, in the shape of higher interest, against that very cheapening of the alternative metal which is expected to delight all borrowers, must, in case no such cheapening comes to pass, be only a loser by the option allowed him.

When the market price of either metal, the debtor holding an option between two, goes below the designated ratio, that metal becomes the standard of values. While this state of things lasts, the other metal is not in any real sense the standard, but that standard will be something that rises and falls with all fluctuations of the cheaper metal, so long as none of those fluctuations carries its price above the ratio fixed. In the changes since 1873, therefore, if the law had decreed gold, or fifteen and one-half or sixteen times its weight in silver, impartially, to be the standard of deferred payments, the facts of business would have been in all respects as if silver alone had been made the standard, with no option at all. This is not doubted, but associated with it is an interesting question, as to which the widest diversity of opinion exists. If silver had been made the standard money, in the countries for which these diagrams of prices were made, would its value relatively to other articles, and gold especially, have taken a course anything like that it did take? The advocates of a nominally alternative standard, or of puts in monetary contracts, or, if they prefer, bi-metallists, maintain with great energy that the relation of silver to gold, at least, would have been in that case very different. They appeal to the course of the two metals from 1850 to 1857, shown in its relation to prices on the chart. The unparalleled increase of the gold supply which then occurred had no further effect on the ratio than to bring down the gold value from about 15.8 to about 15.3, a difference just perceptible at the extreme left of the chart, even the highest quoted price of silver at any time in London, 62½, yet giving a commercial ratio a little above 15. Such an insensibility is without precedent, even in the history of money metals. Ascribing it to the legislation of a fixed ratio by France, it is easy to argue that if that country had held as firmly to its coinage system after 1873, the commercial ratio of gold to silver could in like manner have been kept steady. We might have seen a phenomenon like that shown in these diagrams from 1850 to 1857, a sharp rise in prices, indicating a greatly diminished purchasing power in money of both kinds, but no significant change in the ratio of the metals to each other. There seems to be no good reason for denying any part of this claim, except the reason alleged for the steadiness of gold after the California discoveries. If the laws had held the two metals to a fixed ratio as legal tender, and if those laws had been carried out, there could have been no such change, and all the inconveniences we have suffered therefrom could have had no existence. Very similarly, we might say, if the factory system were abolished by a statute, and if that statute were obeyed, the evils of that system would not exist. The two propositions are equally undeniable, and about equally practical.

PRACTICABILITY OF BIMETALLISM.

There is no lack of able essays and treatises in advocacy of the monetary system known as bi-metallism. Mr. E. T. Peters a few years ago insisted strongly on three points, among others: that restricting the monetary use of either metal was, in effect, restricting the supply of money, and throwing too much work on what remained; that any ratio of value legally established (say 15½ to 1) would necessarily become that of marginal cost of production; and that international agreement was essential to successful bimetallism. Earnest and eloquent have been its partisans in more than one country of Europe. Some of the pleas in its favor have swollen to the dimensions of volumes. But it seems sufficient to take a recently published pamphlet, "Bi-metallism, a Tract for the Times, by Francis A. Walker," as an epitome of the entire argument. Certainly nothing could be fairer than General Walker's opening:

"Three successive questions are involved in the problem of bimetallism. First, is it economically desirable, and this in a high degree? Second, is it economically practicable—that is, if the system were set up, would it work successfully under the normal operation of the principle of self interest, without any help from philanthropy or public spirit or patriotism . . . ? Third, is it politically and diplomatically possible—that is, can the consent and co-operation of a sufficient number of nations be secured to set up and sustain the system, if indeed it be economically practicable?"

General Walker's second question is admirably stated, but his discussion of it gives no satisfactory answer. To summarize in a few sentences:

"Law cannot affect values, much less control them, except as it sets some economic force in motion. . . . This was exactly what France did by the law of 1803, which established the bimetallic system. . . . This system accomplished its purpose to a degree which is truly marvelous when one considers the tremendous power of the forces by which it was unexpectedly assailed. As before stated, in 1803 about three dollars' worth of silver was being produced for every dollar's worth of gold. In 1809 began that long series of revolutions and rebellions in Mexico and Spanish South America which destroyed the mining industry of those countries, so that silver production fell off with frightful rapidity. Then gold was discovered in the Ural Mountains and in the auriferous sands of Siberia. . . . In 1848 came the discovery of the marvelous gold fields of California . . . and only three years later . . . of Australia. Within twelve years the stock of gold in the hands of civilized men was literally doubled! . . . The part which the French system played during the seventy years covered by this narrative, especially during the gold deluge, has been acknowledged in the fullest manner by gold monometallists of the highest authority. [Quotations from Jevons and Bagehot follow.] . . . 'In all the crises that have arisen, at epochs so diverse, in circumstances so different, one sees the Bank of France less distressed than the Bank of England. . . . We may affirm without rashness that the French monetary system is not without influence in the result.' [M. Denormandie.] . . . The three great purposes of bimetalism are, as we have stated them: first, the establishment of an approximate par of exchange between gold-using and silver-using countries; second, a higher degree of stability in the money-mass compounded of the two metals than would be attainable under monometallism; third, to prevent the disastrous results which might otherwise follow the depreciation or appreciation of one of the metals through its increasing abundance or scarcity. . . . So long as France secured these great benefits to mankind no one but the French . . . had the right to object to this alternation of gold and silver in their currency; but they did not do so."

To understand rightly the circumstances under which the French coinage of 1803 was enacted, we ought to have under our eyes Dr. Soetbeer's table of the mean gold-to-silver commercial ratio for each year. This ratio, for the greater part of the last century, was under 15. It was slightly over that figure in 1748 and in 1790, between which years there is but one break in the run of 14's which denote the whole-number part of the ratio. Professor Laughlin has testified to the exactness with which the ratio was fixed at 15, when this country first began coining in 1792. By 1803, $15\frac{1}{2}$ had come to express the same thing as exactly. The ratio still increased for a while, irregularly; a few 16's appear in the table from 1808 to 1813. Is any doubt entertained in any reasoning mind that this important relative increase in the value of gold from 1790 to 1813, was due to the fact adduced by General Walker, that at that time "about three dollars' worth of silver was being produced for every dollar's worth of gold?" And if rising production and falling price were cause and effect, was not the cessation of the effect due to the cessation of the cause, when the disturbances in Spanish America began in 1809? If silver production had kept to the figure it reached in the first years of the century, it appears altogether probable that this depreciation would have continued, that the French bimetallic system would before long have collapsed as totally and hopelessly as our own first bimetallic system, and that the French surrender of 1874 would have come when ours came in 1834. From that fate the French system was saved by the diminished silver production, which thus proved, instead of a force that "assailed" it, really the force that sustained it. The fall in the price of gold in 1850, happening as it did when the coinage of France had become almost exclusively silver and her bank reserve was eleven-twelfths in that metal, when gold had disappeared from general circulation and commanded a premium at the Exchange, gave her bimetalism a new lease of life. But for a few years only; its failure was practically acknowledged when the country consented to use debased metal, coined on government account and redeemed by the government, for her small-change silver; so that its subsequent abandonment (under the name of suspension) was natural enough.

It is interesting to note that the forces which assailed the French system with such "tremendous power," but which were successfully resisted, were all of them forces that tended to arrest the downward movement of silver. In the presence of a force that hastened that movement, bi-metallism succumbed without a struggle. With the nature of the force that thus brought it low, we need not long detain ourselves. General Walker hotly insists "that it was silver demonetization, and not silver production, which caused this tremendous effect;" but the reconciliation of this view with that of "the tremendous power of the forces," etc., quoted above, and with his admission that supply as well as demand affects all prices, may be left to him. He hurls his wrath against the Germans as chief sinners in this "demonetization" movement, not even once alluding to our own Mint Act of 1873 as "the crime of the age." The fall of silver was certainly coincident with these demonetizations, and may, perhaps, have started immediately from them, but even so we may ascribe it to increased production without any misgivings, just as we might ascribe the fall of an unsafe building to its unsafety, even though we saw it pulled down by the building inspector. Whether it was German or American breath that overturned this house of cards, need not greatly concern us. Since "law cannot affect values, much less control them, except as it sets some economic force in motion," the "tremendous effect" of demonetization laws has been explained by their cutting down the monetary demand for silver; but this supposed force did not exist. More silver was coined in 1876 to 1880, according to Dr. Soetbeer's tables, than in any preceding five-year period. The amount has since diminished, but is

still higher than before 1866. Whatever the reason for the decline was, however, that reason was and has remained sufficient for France. Monetary theorists, the world over, may ascribe to that country what power they please, over commercial ratios, but its own rulers are under no delusions.

Yet it is not absurd to credit France with having shown some power over the relative value of gold and silver, in resisting and alleviating its changes, down to the opening of the Comstock era in 1870. Some slight power it may have shown, perhaps, even though the claim now and then made by people imperfectly acquainted with the facts, that "between 1803 and 1873 it maintained for the whole world the ratio of 15½ to 1" is inadmissible.¹ But since it is at best a matter of conjecture how far the falling off in silver production after 1809 would have lowered the gold ratio, how far the subsequent recovery would have increased it, how far the California and Australia discoveries would have lowered it again, and how far the reduced yield from these rich stores, accompanied by a steadily increasing silver yield, would have restored it—effects all plainly traceable in the ratio as it is—how much more strongly traceable they would have been if France had left the metals to their fate, it is impossible to tell with any approach to certainty what the exact influence of France was. The violent changes in the ratio since France gave up her bimetallism are not a sufficient answer; for if those changes have been unprecedented in their rapidity and extent, the increased silver output since the Comstock discovery has been equally unprecedented. It is true that there had been unprecedented gold discoveries just before, which were prevented, by France or by some cause, from lowering the ratio below 15; but this brings us to a point that seems to have escaped the analysis of bimetallistic authors, namely, the difference in the kind of demand filled by gold and by silver in this nineteenth century. For very small payments, silver is of course indispensable; but that is a demand soon satisfied. For large payments there is a preference for gold, which increases with the size of the payment to be made: so that, on account solely of superior convenience, there is a higher gold-ratio in countries where business is done on a wholesale scale and payments are large, and also an increasing ratio in the same countries as business operations grow wider. The difference in demand grows stronger with higher civilization, for differentiation of function is a distinctive mark of evolution. In view of this increasing preference for gold, a cause whose efficiency cannot be doubted, we have a reasonable explanation of the surprising insensibility shown by this ratio to the gold discoveries in 1848, and its marked sensibility to those of silver about 1870. This examination of facts is worth the making, because it enables us to account in a perfectly consistent and probable way for every phase of the gold-to-silver ratio that the century has seen, without crediting the French monetary system with any decisive share in producing or controlling them. So far as positive proof exists, we have as good reason for denying as for asserting that system's influence. The part played by France may have been nothing, or something, or anything short of everything; we cannot demonstrate, but only estimate; and even General Walker's "gold monometallists of the highest authority" do not commit anybody but themselves. A combination of nations might perhaps have more power than France alone to fix a ratio, but it would also include more elements of weakness: national jealousies and rivalries, which would lead some to shirk a work of this kind, whose benefits were to be common to all, while the cost would have to fall on each separately—would lead others to suspect their partners of shirking—and so on, until the agreement fell asunder by its own weight. The conclusion to be drawn, since the best evidence offered to prove international bimetallism economically practicable is the example of France since 1803, is that the proof is not sustained.

A few words on the alleged benefits of bi-metallic coinage. That of a "par of ex-

¹ Yet that claim is repeated by the "bi-metallist members of the German Silver Commission," whose declaration "is regarded by President Andrews as one of the most telling and weighty summaries of the case for bi-metallism that has ever been made." These Commissioners also discover an "increased power of competition" in cheap-money countries: "In proportion as their silver or paper loses in power to buy gold, these countries enjoy in effect a high export premium"—as though receiving less return for their productive labor gave them a real advantage. The declaration further declares: "The attempt to refer this lowering in the general level of prices [since 1873] to other causes, lying outside the coinage system, for instance to cheapening and improvement in means of communication, to the perfecting of processes and machines for the production of goods, etc., must be considered a failure, for the reason that the same causes were present in the same strength during the twenty-year period before 1873"—which they were not. The development of the Bes-mer process belongs almost altogether to the later period. Average freight rates per ton-mile on seven important railways were 1.89 cents in 1872 and but 0.75 cents in 1892. (See Senate Report page 615.) The fact that "wages have increased in price is without weight because . . . wages rise with the elevation of the standard of life in the different classes of the population"—which they do, just as the boy grows larger when he comes to wear larger clothes. The conclusion appears to be that "a stable ratio might be maintained IF the nations we have alluded to [Great Britain, the United States, Germany and the Latin Union] were to accept and strictly adhere to bi-metallism at the suggested ratio." Doubtless. (Translation by Pres. E. B. Andrews in *Review of Reviews* for September, 1894.)

change between gold-using and silver-using countries" is real, and of no slight importance. It is of just the same nature as that of a steady price of cotton, from the recent loss of which some parts of our country have so greatly suffered. If bi-metallism is economically practicable, we might doubtless expect this benefit from it; if not, we shall be compelled to recouile ourselves to fluctuating silver, as we have reconciled ourselves to fluctuating cotton. "To prevent the disastrous results which might otherwise follow the depreciation or appreciation of one of the metals," is what this device would do for us most imperfectly. A scarcity of one metal or a greater abundance of the other, it would tend to check by throwing the office of currency on the second, of course. If this happened to be followed by an opposite state of things, the remedy would apply itself automatically; but how if it were followed by more of the same state of things, if the scarcer metal grew still scarcer, or the plentier one more plentiful? The remedy would then have been already applied, and would be no longer available. There is no reason why things should take the first course rather than the second, though General Walker's claim that his system would result "in establishing an alternating circulation," is evidently founded on some conception that they would. To the claim of greater stability, that "with bi-metallism, shocks in trade come less often," the example of France is again brought for support. Unquestionably that country has had fewer and less serious financial disturbances than this country, or than England. But when we remember that the French do business more for cash and less for credit than we do, and that they are exceptionally particular to keep a strong cash reserve—for the Bank of France has held, steadily for the last twenty years, more gold alone than the Bank of England (most of the time more gold than all the banks of issue in the United Kingdom together), to say nothing of its equal hoard of silver—it is quite needless to look beyond these facts to account for their immunity.

CONCLUSION.

It only remains to sum up, in one paragraph, the results of an inquiry whose close relation to vital public interests is hardly sufficient to make it enlivening or entertaining; and then to see to what practical conclusions they lead. A monetary standard is constant when the same amount of money does the same work; as nearly as possible supplies the same want and compensates the same effort. These ends should both be attained if practicable; if not, neither should be exclusively preferred. The selection of centuries of civilization having fixed upon silver and gold as expressions of values to be taken as constant, the inquiry is, which of the two more nearly meets these ends, or whether a combination of the two would be better than either. The answer appears to be that by the ideally best standard the prices of average merchandise ought to have been slightly diminishing and the wages of labor to have been slightly increasing within the last twenty years, a requirement more satisfactorily met by gold; and that any attempt to work the two metals on equal terms into a composite whole is, in this era of telegraphs, railways and "ocean greyhounds," of very doubtful practicability and of very doubtful merit if its practicability were assured. The alleged scarcity of gold and "diminishing money supply" seem little more than a myth. The most important conclusion suggested is the needlessness of active interference in the matter by the governing power. Allowing entire freedom of contracts in money; construing the terms of such contracts in all doubtful cases according to prevalent usage, and enforcing them accordingly; granting to the people all needed facilities for immediate decision as to values in metallic form, by marks certifying to weight and fineness—this being the true function of coinage; when the government has done these, it has done its part. The usurped power of passing "legal tender" acts should be surrendered, and legal definitions of value should cover only contracts made by the government itself. Were this course followed, men might treat as money anything they agreed so to treat, accepting the government's stamp as evidence that their agreement was kept, and not fearing or hoping that any meddlesome enactment would step in to declare that, though one metal was agreed on, the agreement might be completely discharged by paying $15\frac{1}{2}$ times its weight of some other. If the result of this policy should be a victory for the economic forces now working to bring all nations to a gold unit in practical business, the standard to which we should thus be brought, as amply shown above, is no bad one. If the contracting parties preferred silver, however, they might make their agreement in terms of silver, and have it so enforced; or, if they decided on giving the debtor an option to pay one metal or "put" another, and so declared, the law might help them in that also. But it would not infer the put unless the contract explicitly provided for it. The question of the ideal standard would remain as now, interesting and altogether suitable for scientific inquirers, but active business would never have occasion to wait for their verdict upon it.

In a total abandonment by the government of its power to declare a legal tender for private debts, is to be found the true practical solution of this problem, a Stable Monetary Standard.

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“ One of the most important questions the people have now to consider is whether they can afford to adhere longer to a system which periodically augments the public debt for the purpose of securing gold to be exchanged for notes, which, when redeemed, are not retired and cancelled, but are reissued and put in circulation to be over and over again presented for redemption.

* * * * *

Gold can be procured only by sales of bonds or by voluntary exchanges of gold coin for other forms of currency by the banks, and it is scarcely necessary to say that these voluntary exchanges are most difficult to make at the very times when gold is most needed. When bonds are sold in our market, experience has shown that a large part of the gold to pay for them is taken from the Treasury reserve, in the first instance, or withdrawn within a short time after the bonds have been paid for and delivered.”—Sec. JOHN G. CARLISLE, Boston, October 12, 1895.

FOREIGN EXCHANGES AND GOLD MOVEMENT IN 1894 AND 1895.

WORTHINGTON C. FORD.

UNUSUAL FINANCIAL FEATURES.....	516
GOLD AND THE FEDERAL TREASURY.....	517
FREE GOLD EXHAUSTED.....	517
CONDITIONS IN EUROPE.....	520
THE NATIONAL SCRAMBLE FOR GOLD.....	521
THE INFLUX AND EFFLUX OF GOLD IN THE BANK OF ENGLAND.....	521
THE REAL CAUSE OF THE TROUBLE IN THE UNITED STATES... ..	522
INDEBTEDNESS TO FOREIGNERS.....	522
EFFECT OF THE WITHDRAWAL OF INVESTMENTS.....	523
RECOURSE TO THE SALE OF BONDS.....	523
CONTINUED DRAIN ON THE RESERVE.....	524
THE BOND SYNDICATE.....	524
RATE OF EXCHANGE AND INFLUENCE OF SYNDICATE.....	525
THE CONTRACT AND WORK OF THE SYNDICATE.....	526
THE PROBLEM NOT YET SOLVED.....	528
LOCATION OF CURRENCY INFLATION.....	528
TREASURY RESERVE.....	529
THE NEEDS OF THE TREASURY.....	530

FOREIGN EXCHANGES AND GOLD MOVEMENT IN 1894 AND 1895.*

An examination of foreign exchange rates for a series of years will show a periodicity in the variations, with answering movements of gold. Properly speaking, the import and export of gold have been free only since 1879, as a fluctuating premium on the metal prior to resumption was a disturbing factor. Resumption came at a time when a series of deficient crops in Europe had created an unusually heavy demand for American breadstuffs, and this food was paid for in gold. In no two years before or since have the imports of gold been so large as they were in 1880 and 1881, when the net imports were \$77,119,371 and \$97,466,127 respectively; and in no two years were the total exports of gold so small, \$3,639,025 in 1880, and \$2,565,132 in 1881. Such an unusual situation should be thrown out in making a general average as readily as that due to suspended specie payments; and the regular fluctuations of exchange did not begin till 1882. Some reaction from these heavy imports of gold was inevitable; and for two years the inflow of gold was only \$9,000,000 greater than the outflow. The imports of 1885 almost exactly balanced the exports of 1884. It is, therefore, with 1886 that a consideration of the notable variations in movement against the United States may be studied in detail.

Beginning with 1886, it will be seen from the diagram, as a rule, the rate of exchange between New York and London has been above par in the summer months—May, June and July,—and below par toward the end of the year,—November and December—or January of the succeeding year. Gold was exported in the summer and imported in the winter. In 1890 there were signs of irregularity in this course; and in no year since have the rates of exchange resumed an even tenor. Further, the rate has been more uniformly against the United States, and given occasion to quite as exceptionally heavy an export of gold as were the imports of 1880 and 1881. The movement since 1886 has been as follows:

Gold Coin and Bullion Imports and Exports.

YEAR ENDING JUNE 30.	EXPORTS.	IMPORTS.	EXCESS OF EXPORTS OVER IMPORTS.	EXCESS OF IMPORTS OVER EXPORTS.
	Dollars.	Dollars.	Dollars.	Dollars.
1886.....	42,952,191	20,743,349	22,208,842	.....
1887.....	9,701,187	42,910,601	.....	33,209,414
1888.....	18,376,234	43,934,317	.....	25,558,083
1889.....	59,952,285	10,281,858	49,667,427	.....
1890.....	17,274,491	12,943,342	4,331,149	.....
1891.....	86,362,654	18,232,567	68,130,087	.....
1892.....	50,195,327	49,690,454	495,873	.....
1893.....	108,680,844	21,174,381	37,506,463	.....
1894.....	76,978,061	72,449,119	4,528,942	.....
1895.....	66,131,183	35,146,734	30,984,449	.....

This export has not been due to causes as easily explained as were the imports of 1880-'81, and it has led to a crisis which must go into history as one of the important turning points in the financial experience of the United States. Some study of these causes, however imperfect, may lead to a better understanding of what is needed to prevent a recurrence.

UNUSUAL FINANCIAL FEATURES.

The twelve months ending June 30, 1895, have presented financial features of so unusual a nature as to approach the sensational. Twice in that time has the national government been brought to a crisis in the management of its finances, and twice have the great money centres been on the verge of a panic, by the side of which that of 1873 would have seemed insignificant. The consequences of 1873 were normal, temporary, and only demanded a few years of caution and saving to cure and make good the loss. The consequences of a precipitate realization of a silver basis for all transactions would have approached permanency, and required an incalculable amount of economy and intense suffering to have restored reasonable prosperity. At one time it was a question of

* Part of this article appeared in the *Yale Review*, August, 1895, and is here reproduced by permission of that magazine.

twenty-four hours whether an extreme panic or confidence should prevail; and so close was the call that weeks were required to wipe away the feeling of uncertainty induced by being suddenly brought face to face with a great peril.

Yet the events of 1895 had been predicted for nearly twenty-five years, and prudent managers had sought to discount the effects as best they could, while the larger number, hoping the crisis was distant, looked at the contingency in a speculative view, and counted upon their own escape when it should come. We might date the beginning of this depressing influence with the panic of 1873; for it was to the conditions then emphasized that the country owes the periodic recurrence of currency agitation and experiment. First, the greenback craze had to be met and voted down. Success in this was immediately followed by the inauguration of a policy which was intended to be a concession to the cheap money advocates—the limited purchase and coinage of silver. It required all of fifteen years to demonstrate the danger of that compromise. It has been a long and slow process of currency depletion since the passage of the act of 1878, in which the volume of the currency has been greatly increased and its quality continually brought near the line of debasement. Such a situation in itself had led to a feeling of uncertainty, and the growing unrest was aggravated by the pressure of “bad times.” The failure of the Barings, the commercial and industrial depression, the Australian banking crisis, and the currency “panic” of 1893 in the United States, each contributed to induce caution and enforce contraction in every direction.

GOLD AND THE FEDERAL TREASURY.

In 1894-'95 public attention was fixed upon the movement in the gold held by the national treasury, as this gold was an obvious and measurable factor in determining the status of that important but imponderable element, “confidence.” This stock of gold had slowly accumulated in anticipation of and subsequent to resumption from \$128,460,203 (June, 1878) to \$332,351,306 in September, 1888—the highest figures ever touched. Since that time the drain of gold from the Treasury began, at first slow and somewhat uncertain, but after the silver law of 1890, it increased in volume and certainty. In October, 1890, the total stock had fallen below \$300,000,000; in May, 1893, below \$200,000,000, and for the first time since the resumption of specie payments the reserve of \$100,000,000 held against the greenback circulation was impaired. From January, 1892, to June, 1893, there was a steady export of gold in excess of imports. In the fiscal year 1893 (July 1, 1892—June 30th, 1893) this excess was \$87,506,463, a sum sufficient to account for the Treasury loss, and also sufficient to prove that any demand for export eventually fell almost entirely upon the Treasury holdings. The crisis of 1893 came, and gold was imported, not in obedience to natural conditions but under “panic” demands, because it was needed at any price, and was bought or borrowed as a commodity rather than in settlement of any commercial exchanges. For ten months the “balance” of gold was thus held in favor of the United States, but a sharp reaction occurred in May, 1894, and from that time the amount exported has greatly exceeded the amount imported.

FREE GOLD EXHAUSTED.

At the end of April, 1894, the Treasury held no more free gold than was needed to constitute the reserve—\$100,202,008, a margin so narrow as to leave nothing to meet the expected, because natural, exports of gold of the summer. For nearly seven months the rate of exchange on London, the most sensitive gauge of financial condition, had been rising, and in that time had fully recovered from that extreme plunge taken by reason of the crisis of June, 1893. Slowly but surely the rates had risen from an importing point to one that permitted exports of gold, and in April the outward flow was initiated in earnest, but not in such a volume as to awaken anxiety. An export of \$11,700,000 had been equaled and exceeded in previous years, and the summer movement was inevitable. The trade figures did not appear to demand a large export, for the value of exports of merchandise since June, 1893, had exceeded the value of imports by nearly \$240,000,000. In May nearly a million dollars of gold was sent abroad each day, but even this unusually large amount created no more than a passing apprehen-

Exports and Imports of Gold. (1886 to 1895)



sion, mitigated by a hope of a turn in the flow, and not until the movement of June became felt was the money market disturbed. The end of May left the Treasury reserve at \$78,700,000; the end of June at \$64,873,000; but neither amount reflected the total gold withdrawn from the Treasury. What added to the dangerous possibilities of the situation, the rate of exchange on London ruled high.

The conditions at home thus suddenly pointed to an untimely and extraordinary demand for gold for export. Abroad there were certain elements to be considered as exerting an influence in attracting gold, but these should have been of little weight. The leading money markets were stagnant and in a chronic state of over-supply. The Bank of England held its rate of discount at two per cent. unchanged since February; yet, in spite of this low rate, gold continued to flow into its coffers until September, when the holdings had risen to the "unprecedented" total of nearly £39,000,000, and the reserve was £31,300,000, or higher than ever before. Such a "glut" was succeeded by a drain of the metal to the interior and to the Continent, and in three months—from the end of September to January, 1895, the bank lost more than £6,540,000. As soon as the regular interior movement had ceased, and the Continental demand was satisfied, the accumulation recommenced, and by June, 1895, had more than regained the figures of June, 1894.

CONDITIONS IN EUROPE.

In France the policy of accumulating gold has gone on apace through two years, and more than 250,000,000 francs were added to the holding of the Bank of France. This accumulation is all the more remarkable in that it implies a sacrifice on the part of the bank.

"The task of accumulating a large war reserve of gold which the Bank has voluntarily undertaken, and which has been facilitated by the favorable London Exchange, entails a heavy burden on the Bank in payment of a duty on the note circulation representing the gold reserve. With a note issue of 3,476,000,000 francs to-day, the active circulation or portion producing a profit—discounts and loans on securities—was only 700,000,000. The Bank is not permitted to compound for the tax on the note issue, but pays one-half per thousand on the active or profit-giving circulation, and one-fifth per thousand on the rest. The Bank consequently derives no benefit from the surplus cash, and has to bear the cost of finding the notes as well as to pay duty on them, and this burden goes on increasing with the increase in the gold hoarded."¹

Another circumstance worthy of notice is the situation in Germany. If any money market has in the past been infected with political principles it was the German Bourse in the eighties. When Russia wished to add to her debt, it was through German agents her bonds were floated, to be held, as a rule, in German hands. In 1887 Bismarck issued his remarkable order practically forbidding the negotiation of Russian securities on the German markets—an interference based entirely on political reasons, and entirely indefensible upon economic or financial grounds. This measure was followed by duties on and legislative control of bourse operations which were not onerous in themselves, but acted as restrictions on speculative sales and purchases, such as arbitrage transactions, of high utility in any market. A very large share of ordinary business was by this regulation driven to other markets—Brussels, London and Paris—where the same restrictions did not exist. Further, the prohibition of business for political reasons led to heavy investments of German capital in other and less desirable lines of securities—Argentine, Brazilian, Greek, Portuguese and even Mexican stocks. The same result followed as had followed the ventures of English capitalists in such risks, and Prof. Schmoller places the losses to German investors in recent years at 800,000,000 marks (\$190,400,000). As it is, the yearly returns to Germany from foreign investments are estimated to be between 500 and 600 millions of marks on a capital of from 10 to 13 milliard of marks.

In the face of such losses there has been as marked accumulation of gold in the Bank of Germany as in the Bank of France, and Germany has received more American

¹ Economist, 8 December, 1894.

gold than either France or the United Kingdom since June, 1893. In two years the gold in the bank has fluctuated in amount, falling to the lowest point in October, 1893 (\$179,997,200), and rising to \$267,000,000 in February, 1895. The gain has been \$89,000,000, of which \$65,000,000 net was obtained from the United States—an unusually heavy movement. From 1880 to 1888 the movement of gold was from Germany to the United States, resulting in a net gain to the United States of \$69,000,000 in gold; but since 1889 the flow has been from the United States to Germany, and has given \$103,000,000 to that country alone—or what was needed to meet the demands of its banks. It will be seen from a table appended that Germany was the most important receiver of the gold that was taken from the Treasury in the summer of 1894. Nor did this satisfy her needs. In 1894 further sums of gold were imported, \$24,728,000 from Russia, \$19,682,000 from the United Kingdom, and \$6,420,000 from France. The aggregate for 1894 was more than double that for 1893, and against the \$78,000,000 imported were set only \$12,700,000 of export.

THE NATIONAL SCRAMBLE FOR GOLD.

For some years a number of nations have been looking for gold with which to replace an irredeemable paper currency, or, what was an equally disturbing commercial factor, a depreciating silver coinage. This has in part been the “scramble” for gold which is so often mentioned as an extreme danger. When the United States resumed specie payments in 1879, hardly a ripple of movement was occasioned, and that had been the experience at the end of previous suspensions—as in 1817. When Italy and Austria determined—the one to throw off a paper money and the other to adopt a gold standard—a commercial transaction in gold occurred. Agreements were made with syndicates of bankers to supply a certain quantity of gold. This metal was moved, not in accordance with a true or natural condition of exchanges which demanded such a movement, but in obedience to an artificial need. Nothing but gold would suffice; bonds, bills, notes or merchandise would not settle the demand. The middle of 1894 found Austria still in the market for gold, although the imports had been heavy since 1890. The Austro-Hungarian bank had more than doubled its store of gold in 1892, and in December of that year touched the highest point—\$58,828,300. Between that date and May, 1894, the gold was reduced to \$50,000,000. Upwards of 76,000,000 florins in gold were required, and accordingly an agreement was made with the Rothschild syndicate. Whether such a demand could make itself appreciably felt in the United States can hardly be proved; but it must have had an indirect influence, and it is in the United States that gold has been most readily obtained. The accumulations in Russia have also been drawn upon by other nations, but show no such diminution as has fallen upon the United States.

INFLUX AND EFFLUX OF GOLD IN BANK OF ENGLAND.

Throughout Europe, on this showing, there was only one immediate demand for gold, and that was so small in amount as to have exerted no lasting if even a temporary pressure on the market. The exports from the United States in a single month would have met and satisfied it. The leading free market for gold in the world is London, and thither flow each week the supplies from Africa, Australia, Egypt and Continental Europe, and thence are sent supplies to South America, the East and the Cape, where gold is used in balances. The influx or efflux of gold in the Bank of England is the best gauge of the demand for or supply of available gold. The movement for the year has been:

		IN.	OUT.	BALANCE.
1894	July—September.....	£2,105,000	£1,172,000	+ £933,000
	October—December.....	588,000	4,626,000	— 4,038,000
1895	January—March.....	2,411,000	1,123,000	+ 1,288,000
	March—June	2,993,000	604,000	+ 2,389,000
		£8,097,000	£7,525,000	+ £572,000

This does not give the true effect upon the bank, for there is a large internal movement to be considered. The par of exchange between London and Paris is 25.22½; with Germany 20.43, and with the United States 4.867. A fraction above these rates will bring gold to London, and a variation on the other side will take gold from London. In the six months July to December, 1894, the exchange in London on Berlin and Paris ruled low, and gold went to these centres; in the succeeding six months the rates ruled high, beginning with the month of February, 1895. The course of exchange with the United States can best be studied from the rates in New York on London. Before passing to this, attention may be called to the distribution of gold in the leading State banks in Europe, of especial interest as showing the remarkable accumulations.

BANK.	JUNE, 1894.	JANUARY, 1895.	JUNE, 1895.
	Dollars.	Dollars.	Dollars.
Bank of England.....	180,355,361	161,037,736	180,166,960
Bank of France.....	346,421,803	402,795,339	398,795,076
Austro-Hungarian.....	50,134,683	74,228,725	98,424,963
Imperial German.....	227,606,205	249,369,193	261,457,579
National, Belgium.....	22,454,031	26,074,707	21,310,404
Netherlands Bank.....	21,967,381	19,903,985	20,891,885
Bank of Spain.....	38,532,947	38,951,466	58,951,466
National, Italy.....	57,784,200	56,491,100	57,842,100
Russia.....	294,421,500	300,539,600	302,469,600

THE REAL CAUSE OF TROUBLE IN THE UNITED STATES.

I have now shown that throughout Europe there was no condition calling for gold in such quantities as could exert pressure on the market and so act upon the exchanges; and further, that gold was accumulating in European centres at a rate almost unequalled in the past, and apparently in defiance of a trade demand. No country has experienced trouble in securing gold, and even Chili, asserting its wish to take advantage of existing conditions to adopt a gold standard, offers a gold loan of about \$10,000,000, which is subscribed many times over. Only in the United States were to be met stress and anxiety and most doleful predictions for the future. All this points to some local causes requiring a special remedy.

INDEBTEDNESS TO FOREIGNERS.

In any year the United States are indebted to Europe for a large sum that has been variously estimated from \$100,000,000 to \$350,000,000. This item is made up of freights, money taken by tourists, interest on foreign capital invested here, etc. Exactly what the amount is can hardly be determined, and many of the estimates are so loosely constructed as to merit no confidence in their accuracy. A recent and very intelligently framed estimate places this sum at \$145,700,000, and, on the evidence submitted, it is impossible not to believe it is the nearest approach yet made to solve the question. To pay this debt, commodities must be exported, or American securities given in settlement, or gold. With the great advantages offered in this country for investment of capital, it is not strange to find us indebted each year in a large sum to foreigners, or to find certain American securities obtaining a ready market in foreign money centres. Until 1892 it was generally believed this aggregate of American securities in foreign hands was each year largely increasing, and after the costly experience English and German investors (and they only have ventured largely in American stocks and bonds) had had in South American and Eastern paper, it was natural for them to take their capital where the certainty of some return was greater. Toward the end of 1892, through 1893 and during the first half of 1894, large amounts of these securities were thrown back upon us, leading to depressed markets, a crisis, and a heavy indebtedness to Europe. The extent of the movement can not be measured, as there is no system by which this silent import and export of securities can be ascertained. To the usual debt due to Europe in 1893 was suddenly added a very large sum, supposed to be between \$200,000,000 and \$300,000,000, due for securities returned. This doubtless contributed to the exports of gold in 1893, but could not have been of lasting influence; as confidence was soon in a measure restored, and American paper became once more acceptable in the European markets.

WITHDRAWAL OF INVESTMENTS.

Coming in a period of unrest, such a demand added greatly to the anxieties and general distrust. As the crisis for which the beginnings were laid in 1878 was known to be impending, the foreigner would take no chances, but demanded gold; while the shrewd and far-sighted business man in the United States also recognized the danger of the situation, and looked to gold for safety. A double movement ensued. Gold was required on the one hand for export, and on the other for banking reserves and even personal hoarding. The banks, free and natural commercial agents, have the power to obtain the metal and to keep it; but the Treasury, under its load of paper obligations, could neither easily obtain the metal, nor could it retain what it did get in the face of a rising demand. Any holder of a legal tender note or of a Treasury note of 1890 (issued, be it remembered, for the purchase of silver bullion) could demand gold for it over the Treasury counter. These notes were collected in great quantities to be presented for "redemption" in a crisis.

The Treasury gold was thus the only stock which could be easily obtained for export or any other purpose. I have already pointed out the condition of this gold in June, 1894, and it only remains to follow the movement through the succeeding fifteen months. The fluctuations in the stock speak more plainly of what was impending than can any words.

Gold in the Treasury.

MONTHS.	TOTAL GOLD IN TREASURY, COIN AND BULLION.	GOLD CER- TIFICATES IN TREASURY, CASH.	GOLD CERTIFI- CATES IN CIRCULATION.	NET GOLD IN TREASURY, COIN AND BULLION.
1894.				
July.....	\$120,922,836 41	\$103,470	\$65,947,229	\$54,975,607 41
August.....	120,885,869 49	34,730	65,668,969	55,216,900 49
September.....	123,665,756 92	55,260	64,790,439	58,875,317 92
October.....	125,613,895 73	56,280	64,252,069	61,361,726 73
November.....	164,350,468 01	751,370	58,925,899	105,424,569 01
December.....	139,606,354 05	58,960	53,361,909	86,244,445 05
1895.				
January.....	97,353,767 27	337,060	52,647,809	44,705,967 27
February.....	138,593,280 14	80,100	51,507,769	87,085,511 14
March.....	139,486,496 08	84,660	48,843,189	90,463,307 08
April.....	139,998,153 35	63,640	48,751,009	91,247,144 35
May.....	147,690,977 53	102,390	48,539,569	99,151,408 53
June.....	155,893,931 46	88,390	48,381,569	107,512,362 46
July.....	153,354,065 79	219,330	48,117,579	107,236,486 79
August.....	149,410,926 27	209,820	49,081,089	100,329,837 27
September.....	143,557,512 75	103,370	50,645,539	92,911,973 75

RECOURSE TO THE SALE OF BONDS.

Under a heavy demand and rapidly diminishing reserve the Treasury had no recourse but replenish its gold by a sale of bonds. It could only use the power conferred by an act passed nearly twenty years before—the Act of January 14, 1875—when conditions were entirely different. Further, this act was a "resumption" measure, and the description of the bonds was fixed in 1870—a quarter of a century ago, when the interest-bearing debt was \$2,046,455,722, of which \$1,765,317,422 were paying six per cent., and all but \$60,000,000 of what remained was at five per cent. Under this somewhat antiquated law the Secretary could sell at not less than par, for coin, a five per cent. bond, to run ten years; a four and a half per cent. bond to run fifteen years; or a four per cent. bond the life of which was thirty years. For obvious reasons the short term bond promised the best results, and in February, 1894, the Treasury gold was replenished by a sale of \$50,000,000 in five per cent. bonds, at such a price as to make them yield to the investor three per cent., and thus netted to the Government \$58,661,000. The reserve now stood at \$106,527,068 (February), and at once began to flow out, as was to be expected in the spring.

CONTINUED DRAIN ON THE RESERVE.

Instead of keeping within moderate bounds, however, the outflow grew rapidly, until in June every benefit of the loan had been lost, and the demand was still unsatisfied. Throughout July the drain was continued, and on August 7 the Treasury could show only \$52,189,500 as a gold reserve. Fortunately a short spell of rest ensued, during which some gold was obtained from the banks in exchange for notes (the money needed to move the crops creating some demand for the more convenient paper), and other gold was received in payment of dues, so that in October the reserve had reached \$61,361,826. The future was unpromising, and it was only wisdom to repeat the loan of February. In November, 1894, \$50,000,000 of five per cent. bonds were offered, bid for three times over, and the price taken yielded \$58,538,500 to the Treasury.

The subsequent events were dramatic. In November the gold reserve stood at \$105,424,569; in February, 1895, less than two months later, it had fallen to \$44,705,967. A veritable run on the stock had ensued, and less than half of what was taken was for export. The rising tide of an extreme silver agitation, and a remembrance of the very recent proof of want of confidence in the ability of Government to protect its reserve, gave occasion to belief that the crisis so long anticipated was at hand. Evidently it was useless to repeat the experiences of the February and November loans, necessary and judicious as these measures had been. It was doubtful if, in the conditions then existing, a further bond sale could be negotiated except at great disadvantage to the Government. Certainly, there was no assurance that the gold would remain in the Treasury. Every circumstance pointed to the contrary. The export movement was heavy at the very time an import was to be looked for; exchanges were ruling against the United States, and in no two months had such heavy demands for gold been made on the Treasury. All this indicated an actual "panic," and every dollar of gold taken from the Treasury aggravated the crisis, and produced a "moral" effect that was harmful to a degree. Congress was appealed to and the crisis fully explained, but refused to give any assistance; and the Treasury, struggling against a deficit, and apparently weakened beyond repair, was left to its own resources. In the darkest days of the Civil War, the credit of the nation never received such a blow as threatened it in the first week of February, 1895.

THE BOND SYNDICATE.

A remarkable transaction, unequalled in my belief in financial history, was entered upon. On February 8 an agreement was concluded with a syndicate by which 3,500,000 ounces of gold were to be purchased by an issue of \$62,317,500 in "coin" bonds. As an ounce of gold was valued under this arrangement at \$17.80½, while the true value was \$18.60½, the difference represented the premium paid for the four per cent. bond, making the price of the bond \$104.49. For the \$62,317,500 bonds issued gold to the value of \$65,117,500 was obtained. At least one-half of the gold was to be bought in from abroad, and the Government reserved the right to substitute a three per cent. gold bond for the four-thirties—an operation which would save \$16,174,770 in interest. But the issue of a three per cent. bond required the authority of Congress; and as that body, with a wisdom that needs no characterization, refused to give the authority, the substitution could not be made. The original agreement therefore remained unchanged, and its merits must be determined and measured by the effects it produced upon the Treasury reserve and upon the public mind.

It may be stated at the outset that the task undertaken by the syndicate had more factors opposed to its success than were in its favor. The experiment was a novel one, and not since 1860 had any studied attempt been made to regulate foreign exchanges in such a manner as to prevent a movement of gold in itself natural and to all appearances inevitable. The getting of the gold was a simple business transaction; but the retention of it in the Treasury was a complex and tentative performance, having important political as well as economic features. The summer months would naturally

call for an export of gold, as in many years past ; and it was assured this export must fall upon the Treasury holding.

The excited condition of money circles, kept alive by the sudden disappearance of the proceeds of the bond sale of November, and made even more sensitive and fearsome by the attitude of Congress, was the greatest obstacle to success, for it had found expression in the rapid presentation of notes in unprecedented quantities for redemption in gold. It was necessary to allay the panic already in sight, and to so play upon exchanges as to render an export of gold unnecessary or of small amount. The Treasury was powerless to do either. The announcement of a sound financial policy was insufficient in the want of authority to act up to it. To urge such a policy upon Congress, only to be met with a flat refusal, was not calculated to restore confidence, for the deed impressed the people more than the will. As a department, the Treasury can act only with the law, and nothing was more clearly proven than the inefficacy of existing legislation to afford even a partial relief.

To call in such assistance as best promised to give relief was good policy, and has been justified by the results. What these results are may be summarized as follows : restoration of confidence, the Treasury reserve maintained, and little exports of gold in spite of exchange rates that would permit them. On the first, there is little need of proof, as it is apparent on all sides. Of the second, the following table showing the "redemptions" for gold is conclusive, and proves the immediate effect produced by the February, 1895, negotiations. Let the summer months of 1895 be set against the summer months of 1894, and the altered situation becomes at once apparent.

REDEMPTIONS IN GOLD.¹

	UNITED STATES NOTES.	TREASURY NOTES OF 1890.	TOTAL.	EXPORTS OF GOLD.
1894.				
January	\$118,841	\$237,515	\$356,356	\$1,279,437
February	10,982,624	8,210,730	19,193,354	3,209,317
March	2,266,426	1,194,766	3,461,192	4,020,633
April	6,072,042	1,594,085	7,666,127	11,723,771
May	25,131,412	1,409,670	26,541,082	27,406,801
June	20,708,492	1,461,401	22,169,893	23,250,220
6 months	\$65,279,837	\$14,108,167	\$79,388,004	\$70,920,179
July	\$13,367,864	\$555,511	\$13,923,375	\$14,230,201
August	4,209,853	531,560	4,741,413	5,118,051
September	636,031	300,487	936,518	237,477
October	2,542,719	505,171	3,047,890	1,082,814
November	7,085,133	714,614	7,799,747	423,213
December	30,819,622	1,087,599	31,907,221	9,802,389
6 months	\$58,661,222	\$3,694,942	\$62,356,164	\$30,899,745
1895.				
January	\$43,415,283	\$1,702,455	\$45,117,738	\$25,929,828
February	4,784,907	776,045	5,560,952	1,565,194
March	809,495	279,590	1,089,085	3,126,094
April	733,525	284,046	1,017,571	2,893,610
May	734,747	431,725	1,166,472	1,585,071
June	644,621	401,345	1,045,966	131,641
6 months	\$51,122,578	\$3,875,206	\$54,997,784	\$35,231,438

RATE OF EXCHANGE AND INFLUENCE OF SYNDICATE.

Finally, as to the rate of exchange ; although it has ruled high, little gold has gone out of the country. The markets have been well supplied with bills by the syndicate whenever the export of gold was imminent, and the success attained in thus manipulating or regulating the exchanges points to a source of power hitherto regarded as among the impossibilities. In April, May and June, 1894, the United States lost \$45,000,000 of gold ; in the corresponding months of 1895, the country gained \$7,242,963. Before

¹ Prepared by Hon. D. N. Morgan, United States Treasurer.

February the tendency of gold was from London to the Continent; and to London from the United States; after that month the current was changed, the gold tended toward London from the Continent, but not from the United States. Was it more than a mere coincidence, and is it not reasonable to believe that the operations of the syndicate influenced the exchanges among the nations of Europe by its control of exchange in the United States? In the first six months of 1895 exchange on London has been more in favor of that centre, and against the United States, than it had been in the corresponding months of 1894; yet there have been the small exports of \$75,000 in 1895 to London in the three months of March, April and May, 1895, against \$13,737,500 in the same months of 1894. Not a dollar of gold is recorded in these months of 1895 as going to France and Germany; but in 1894 France received \$14,200,000, and Germany \$26,600,000. Certainly such comparisons vindicate the policy of the Government, prove the success of the syndicate, and, when carefully studied, convey some idea of the novelty and magnitude of the experiment. The profits of the syndicate must be measured by the risks it assumed. Few were so bold in February to predict a successful issue; there should be few in July to carp at the agreement, or to cry out that any sum was too great to pay for the maintenance of national faith and the restoration of confidence.

THE CONTRACT AND WORK OF THE SYNDICATE.

The final payment into the Treasury by the syndicate on the original contract was made in the last week of June, and left the Treasury gold on June 30 at \$107,512,362, or higher than at any monthly period since January, 1893. With that payment the "contract" was virtually closed, and the immediate connection of the syndicate with the Government was terminated. The requirements of the terms of the contract had been fully met, except in the unimportant item of making half the deposit in foreign gold. The development of the financial situation made this requirement as unnecessary as it might prove mischievous, for every ounce of gold obtained from abroad constituted an additional obligation which must be settled at some later time. The immediate object had been attained; the Treasury reserve of gold was above the \$100,000,000 mark.

The plan of the syndicate involved such operations as should render unnecessary a heavy export of gold during the summer months. To accomplish this end only two modes could be considered; (1) to meet the local needs for exchange, and (2) to sell American securities abroad in such amounts as would offset the necessity for exporting gold in settlement of this exchange. From one point of view this was only meeting natural influences with natural forces to suspend or modify their action; from another, it was an unnatural condition, created in the expectation of postponing for a time the settlement of foreign balances. Could the summer months be tided over, and the regular outward movement of gold deferred or made less than the average, that operation would tell greatly in favor of confidence. When the crops began to move, and bills for cotton, wheat and other exported produce came into the market, the demand for gold to be exported would cease, for these bills are able in a normal year to satisfy the needs of the exchange market, and turn the rates of exchange in favor of the United States. The coming forward of the crops could be anticipated, and exchange sold against this movement to be liquidated when the exports of produce began; or the securities of American corporations could be sold in Europe, as were one-half of the bonds issued to the syndicate, and exchange drawn against the sales. From February to the end of July these measures proved efficient, and would further have proved efficient but for an unforeseen contingency—the delayed movement of the crops, which did not begin till nearly three weeks after the usual time, and then proceeded so slowly as to have little effect on the exchange rates. Some bankers had sold exchange in the expectation of settling in commercial bills on exported produce, and now found the market almost bare of such bills; they demanded bills or gold, and the rates of exchange moved upward.

In the week ending July 13 the rates of foreign exchange showed the "highest points of the year for nominal rates, while those for actual business in long and short sterling have been the highest on record. Prime commercial sterling is quoted at higher

rates than sixty-day bankers' bills ruled at during the latter part of April, when exchange was at the highest points." The publication a few days later of the preliminary returns of the foreign commerce of the United States for the fiscal year created some uneasiness, as the result showed an excess of exports of merchandise and silver over imports to the value of \$102,024,254, and yet an excess of exports of gold over imports of \$30,984,449.

London Exchange on New York. January-June, 1895-1894.

January 4, 1895.	5 for us.	January 5, 1894.	1 agst us.
" 11, "	5½ "	" 12, "	1¾ for us.
" 18, "	5½ "	" 19, "	1¾ "
" 25, "	5½ "	" 26, "	1¾ "
February 1, "	5¾ "	February 2, "	1¾ "
" 8, "	3¼ "	" 9, "	2¾ "
" 15, "	3¼ "	" 16, "	2¾ "
" 22, "	3¼ "	" 23, "	4½ "
March 1, "	6 "	March 2, "	4½ "
" 8, "	6 "	" 9, "	5 "
" 15, "	6 "	" 16, "	5½ "
" 22, "	6 "	" 23, "	4¾ "
" 29, "	6¾ "	" 30, "	3¾ "
April 5, "	7½ "	April 6, "	4½ "
" 12, "	5½ "	" 13, "	5 "
" 19, "	5½ "	" 20, "	4½ "
" 26, "	5½ "	" 27, "	5 "
May 3, "	5½ "	May 4, "	5 "
" 10, "	3 "	" 11, "	6 "
" 17, "	2¼ "	" 18, "	5 "
" 24, "	4 "	" 25, "	5 "
" 31, "	4 "	June 1, "	5 "
June 7, "	6½ "	" 8, "	5 "
" 14, "	6 "	" 15, "	5 "
" 21, "	6½ "	" 22, "	5 "
" 28, "	6½ "	" 29, "	4½ "

Rates of Exchange at New York, and Net Movement of Gold, Jan., 1894, to June, 1895.

MONTH.	GREAT BRITAIN.		FRANCE.		GERMANY.	
	Exchange on London.	Import (+) or export (−) of gold.	Exchange on Paris.	Import (+) and export (−) of gold.	Exchange on Frankfort.	Import (+) and export (−) of gold.
1894.						
January ..	4.84 @ 4.85	+ \$338,547	5.20 @ 5.19¾	—	94¾ @ 94¾	+ \$88,237
February ..	4.85½ @ 4.86	+ 202,522	5.19¾ @ 5.18¾	+ \$1,165,527	94¾ @ 95	+ 144,750
March	4.87½ @ —	— 1,147,000	5.17½ @ 5.16¾	— 863,585	95½ @ 95¼	+ 149,204
April	4.87½ @ 4.88	— 3,146,195	5.17½ @ 5.16¾	— 5,103,539	95¼ @ 95¾	+ 2,200
May	4.88 @ 4.88½	— 7,964,470	5.16¾ @ 5.16¼	— 296,496	94¾ @ 94¾	— 11,482,566
June	4.88 @ 4.88½	— 1,611,800	5.16¾ @ 5.16¼	— 5,065,595	95¾ @ 95½	— 13,984,499
July	4.87½ @ 4.88	+ 46,910	5.17½ @ 5.16¾	— 4,781,732	95¾ @ 95¾	— 4,958,112
August	4.88 @ 4.88½	— 247,533	5.17½ @ 5.16¾	— 3,485,000	95¾ @ 95½	— 1,100,000
September.	4.85½ @ 4.86	—	5.19¾ @ 5.18¾	— 64,000	95 @ 95½	—
October ...	4.86½ @ 4.87¼	—	5.19¾ @ 5.18¾	+ 5,790	95¼ @ 95¾	— 973,200
November.	4.87½ @ —	+ 973,300	5.17½ @ 5.16¾	— 77,000	95¾ @ 95½	+ 50
December..	4.87½ @ 4.88	+ 15,080	5.16¾ @ 5.16¼	— 7,283,000	95¾ @ 95¼	— 2,250,000
1895.						
January ...	4.88½ @ —	— 7,776,146	5.16¾ @ 5.16¼	— 10,504,563	95¾ @ 95½	— 5,365,654
February ..	4.88 @ 4.89	+ 4,554,588	5.16¼ @ 5.15¾	— 851,358	95½ @ 95¾	+ 56,742
March	4.88 @ 4.88½	+ 3,128,974	5.17½ @ 5.16¾	+ 2,289,135	95¼ @ 95¾	+ 987,910
April	4.8½ @ 4.89½	+ 898,300	5.16¾ @ —	+ 2,443,922	96¾ @ 95½	+ 131,240
May	4.88½ @ 4.89	+ 2,957,337	5.16¾ @ 5.16¾	+ 1,528,340	96¾ @ 95¾	—
June	4.89 @ —	+ 1,195,584	5.16¼ @ 5.15¾	—	—	+ 39

Rate of exchange is that for the first Friday of the month. The quotation on London is for " Prime bankers Sterling bills."

This could not be explained by trade conditions. In 1894 there was an apparent balance in merchandise and silver in favor of this country of \$275,000,000, and not gold sufficient came in to offset the exports. In two years we had exported \$377,000,000 more than had been imported, and gold had gone out to the amount of \$35,500,000. Clearly the trouble was financial, not commercial.

At the end of July the situation of the exchange market was strained. The syndicate had sold exchange freely to such as needed it, but had not met all the demand.

There followed some demand for gold, and in the week ending August 3 an export of some moment was made, the gold being taken from the Treasury. The export continued under this pressure for exchange, but the syndicate coming forward, deposited gold in the Treasury, and thus maintained the reserve at or near the full point. In the month of July, \$3,826,795 in gold was taken from the Treasury; in August, \$16,563,627, and in September, \$19,847,754. Yet the Treasury reserve was \$107,512,362 at the end of June, and \$92,911,973 at the end of September, having lost nearly \$15,000,000, though the withdrawals of gold through the redemption of notes had been more than twice as great. Over and above the terms of their contract the syndicate had deposited gold to such an extent as to leave the Treasury in a safe position, and thus maintain public confidence, in the face of a demand which might easily have developed into a crisis through the exaggerated fears of the timid. This was in itself a great gain and had been very cheaply purchased by the Government. The widespread disturbance, financial and commercial, which would otherwise have been precipitated, is one of the heaviest penalties the body social can suffer for "playing" with the circulating medium; and the effects are not only felt for a year, but for a generation. In "sound money" alone is safety to be found.

In the last three months, then, there was a slight recurrence of gold exports, readily explained and due to natural causes. In July the net exports were \$3,296,067; in August, \$15,133,175, and in September \$16,674,609, making a total of \$35,103,851. At this writing (October) the situation has changed. Crops are coming forward, commercial bills are "making" exchange, and the rates of foreign exchange have fallen below the exporting point of gold. The crisis has been met, its action modified and the elements of safety now outnumber those of danger. As a financial operation, the assistance obtained by the Government from the syndicate has been great in the immediate results--incalculably great in its indirect results.

THE PROBLEM NOT YET SOLVED.

So far as the Treasury is in question, the problem has been solved only for a time, and it must again come up for a determination. The fear of silver excess is removed by the repeal of the purchase acts and by the waning of the silver movement. Agitation there will always be, at home and abroad, until some international agreement either "makes a place" for silver on some basis, or proves the impossibility of any general experiment in favor of that metal. One great source of anxiety has thus been set aside, and need not again be introduced, unless either party again "compromises" with silver. There remain other factors of mischief. So long as the business of issuing a credit paper circulation is performed by the government, and this has become by act of Congress and by decision of the Supreme Court a recognized part of the financial system, so long must a reserve be kept against that issue. It must further be a reserve far larger than any ordinary banking concern carries, and even were it three times the present amount, it would still be too small for reasonable safety. Ricardo believed he had devised a circulation which would need only five per cent. in specie to preserve its credit and redeemability. The national banks are required by law to maintain a "reserve" equal to 25 per cent. of their circulation and deposits; but the Treasury finds one of nearly 29 per cent. unsatisfactory. In ordinary times the limit of Ricardo would be sufficient, for specie enters into the settlement of balances to an even less proportion than in his day; so the waste of keeping 29 per cent. is great, and, as it is now kept, constitutes a demand for gold by the side of which the demands of Europe are small and easily satisfied.

The amount of gold in the country was estimated to be on July 1, 1894, \$627,293,201, of which \$131,316,471 were in the Treasury; \$190,635,167 in the national banks, and \$305,341,563 in the private banks and in the hands of individuals. The banks may command what gold they wish, as they are free to so discount as to bring gold to them when needed. A private individual is also free to buy or sell gold according to his need, and it is safe to say his needs will not be large save in a period of uncertainty. But the Treasury has not this command over its gold; it is obliged to "redeem" on call its notes, and this process is anything but redemption. A demand note is paid in gold, and, instead of being canceled as paid, retains its full quality as a demand note, and as such again enters into circulation to be again "redeemed" for gold. A legal-tender or a Treasury note of 1890 is considered to be as good as gold, and is so just as far as the Treasury has gold to meet it. They are held by the banks as reserve, and, when a demand for gold arises, they are presented at the Treasury counters, as the experience of the last two years proves; the legal-tender and Treasury note are thus a standing charge against the gold reserve. Both forms should be retired.

LOCATION OF CURRENCY INFLATION.

In July, 1878, the condition of the currency in circulation was what it had become through war legislation. Nearly equal amounts of "greenbacks" and national bank notes, a little gold circulating on the Pacific coast, and fractional currency and subsidiary silver, gave a total of \$729,132,634. The "fiat" money agitation had been met and the resumption of specie payments assured. There was a greater quantity of money in

circulation than at any time since the country had been flooded with notes of state banks, and greater than had been needed to carry on the exchanges through the years of kite-flying and speculation which ended in the panic of 1873. In short, the circulation had been tested in fair weather and in foul, and found not wanting.

In July, 1895, there was a total circulation of \$1,604,131,968, composed of the following elements :

Gold and gold certificates.....	\$528,656,626 00
Silver dollars and certificates.....	371,714,914 00
Legal-tender notes.....	265,109,456 00
Treasury notes of 1890.....	115,978,708 00
National bank notes.....	207,047,546 00
Subsidiary silver.....	60,219,718 00
Currency certificates.....	55,405,000 00
Total.....	<u>\$1,604,131,968 00</u>

The increase in the gold since 1879 is ample proof that the country can obtain that metal in any needed quantity under natural conditions. The mere increase in that element of the currency would have been sufficient to meet all the demands of trade. In 1879 the average daily clearings at New York were \$82,015,540. They touched a maximum in 1881 with \$159,232,191. In no year since has there been such activity, and what was sufficient currency in 1881 should have been sufficient in 1894 to meet everything except the extraordinary demands in the spring and fall. The circulation of 1881 (\$1,114,233,119) represented an increase of more than 50 per cent. over the money of 1878, and it accomplished more than twice as great exchanges as \$1,660,808,708, an increase of 50 per cent. over the circulation of 1881, accomplished in 1894.

Dangerous experiments may be made in currency without immediately entailing the expected results. If it be granted that the silver circulation (standard dollars and silver certificates) has been absorbed by the country without disturbance, the same concession cannot be made to the Treasury notes of 1890. The silver certificate replaced the retiring national bank notes; with gold it has supplied whatever real need there has been for additional circulation; it has in part found legitimate work to do. Not so the Treasury notes. Issued in payment of pig silver, redeemable in gold on demand, it has been a vagrant paper, turning up only when it can do mischief, and with the greenback constitutes a menace to the gold reserve of the Treasury. With the first issue of that form of note gold began to go out of the Treasury. In the trying months of 1893 \$29,000,000 were presented for redemption in six months, and since October, 1891, when the first exchange for gold was made, the redemption had amounted to \$76,000,000, or one-half the total issue. Every note issued under this law of 1890 was uncalled for; every note in circulation is a source of danger, and the entire issue should be suppressed. Nor is there any more excuse for the continuance of the legal-tender note. The chief claim made in its favor is that it constitutes a loan to the government without interest. It has necessitated the keeping of a reserve, which exists as idle capital, and it is the idle instrument for taking gold from the Treasury.

Had every note redeemed in gold since the resumption of specie payment been canceled, as it should have been, less than \$40,000,000 of this form of note would be in existence. In other words, the country has paid more than \$306,000,000 in gold on these notes, and instead of being credited for that payment, still finds itself indebted to the amount of the full issue, \$346,000,000.

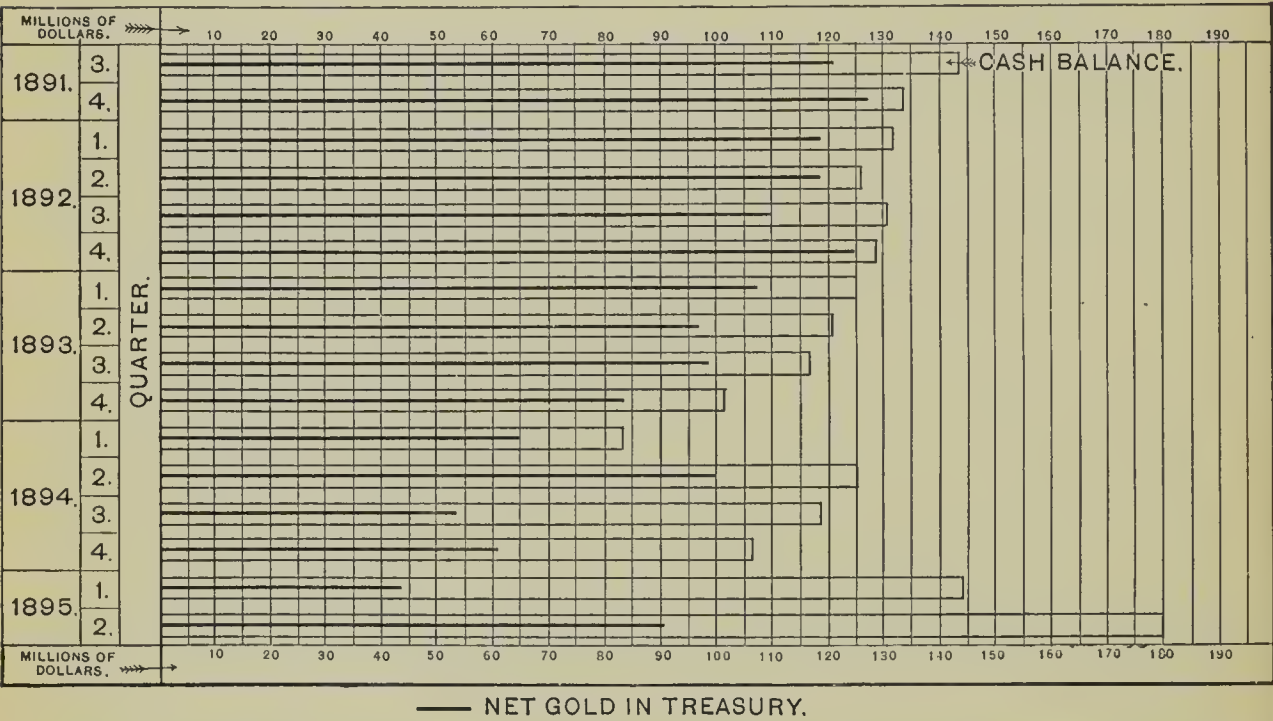
As a mere charge against the government the legal tender represents an indebtedness since 1879 of more than \$650,000,000. Further, it violates what is an established principle of government finances, as with the Treasury note of 1890, it constitutes under existing laws a perpetual debt. The entire debt of the country is \$1,729,000,000, of which \$500,000,000 is a debt which has no time of maturity, and is not payable at the option of the United States. If the legal-tender and Treasury notes of 1890 be taken out of the circulation the aggregate money in circulation would still be greater than it was in 1886. There is nothing radical in such a measure.

TREASURY RESERVE.

The intimate connection between this problem of the legal-tender and Treasury note circulation and the gold in the Treasury needs no explanation. With a larger cash balance in the Treasury than at any time since July, 1891, the main constituent is paper, and gold is retained with uncertainty and difficulty whenever a moment of anxiety intervenes. This fact is brought out in the diagram, which shows the cash balance and the net gold in the Treasury at the beginning of each quarter since July, 1891. The purchase of gold by the issue of bonds or by the exchange for legal tenders is reflected in the lines; but every legal-tender note so issued creates, as it were, a lien against the gold, for it may be presented at any time for redemption. And in the natural process

of currency reduction, or an attempt at currency reduction—that protest against inflation which is implied in the continued redemption of notes—it is only gold that goes out of the Treasury and country. Nobody will export silver coin, because the artificial value conferred by the legal tender makes them of greater value here than in any other country. Even the demand for silver in the arts cannot affect the supply of coin, as the coin melted is worth nearly 50 per cent. less than the coin itself. The quantity of silver coin will remain as it is; the amounts of legal-tender and Treasury notes issued are invariable, for the cancellation of the latter is done under conditions which make it unusual. It is gold and the national bank notes which constitute the elastic elements of the currency. With gold on the point of export at every flurry, and with the difficulty of increasing the national bank circulation, it is easy to recognize the weak points of our currency

CHART SHOWING CASH BALANCE AND NET GOLD IN TREASURY SINCE 1891.*



system. These weak points affect the position of the Treasury directly, and even more indirectly, by obliging it to incur new indebtedness to make good its weakness as a banking institution.

THE NEEDS OF THE TREASURY.

But if these government issues are to be continued, the Treasury should have ample power to maintain a reserve for redeeming them. No government is safe unless it has at command a revenue equal to the necessary and ordinary expenditures, and as a corollary, a revenue that is sufficiently elastic to expand to meet an extraordinary demand, or to contract so as to take only what is needed from taxpayers. To leave it exposed to a condition approaching destitution, and to so jealously guard its borrowing power as to allow only a disadvantageous and usurious loan in a time of want, are surely outcomes of an inexperienced and shortsighted policy. Such had been the national revenues that “deficit” legislation has been an almost unknown element, and what laws were on the statute books had been framed to meet such conditions as resumption of specie payments, refunding of the debt, and paper certificates issued on specie reserves. After years of an overflowing Treasury, a deficit was created almost intentionally it might seem, by destruction of revenue, and a reckless increase of expenditure. I have shown how the Treasury was obliged to have recourse to a bond issue framed in 1870; and the gold purchased in February, 1895, was under the authority of a law enacted in 1862, a year when the financial policy of the government offers much more for blame and severe criticism than for praise and imitation. In its necessity the Treasury cannot issue a temporary note—answering to the exchequer bill of Great Britain or the *bons de trésor* of France—a convenient instrument of finance, and not capable of abuse where publicity of operations is as great as with the United States Treasury. Some such instrument should be placed at the disposition of the Treasury, and until a permanent system of financial management, better suited to the times, is devised.

* This chart is here used by courtesy of Bradstreet's.

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Each number contains a **special discussion** of some Sound Currency question.

"The real wages of labor may be said to consist in the quantity of the necessaries and conveniences of life that are given for it; its nominal wages in the quantity of money. The laborer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal, wages of his labor."—Adam Smith, *Wealth of Nations*, Book I., Chapter V., 1776.

The Government of India are of the opinion :

(1) *That a country, as a whole, makes no gain in its international trade by a depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports.*

(2) *That the producer of an article of export may make a temporary and unfair gain from depreciation of the standard, at the expense of his employees and of other persons to whom he makes fixed payments.*

(3) *But that this gain, while not permanent, is counterbalanced by a tendency to over-production and consequent reaction and depression, by a liability to sudden falls in price as well as to rises, and by the check to the general increase of international trade which necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations.*—Report of the Indian Currency Committee, 1892.

"Wages in gold-using countries have, through the appreciation of gold, become a hundred per cent. dearer than they were, relatively to silver wages," and the manufacturer in the silver-standard countries can "obtain his labor at half the cost, relatively to gold wages which he formerly paid."—Mr. George Jamieson, British Consul at Shanghai, 1893.

QUALITY OF MONEY AND WAGES.

FRANK L. McVEY.

	PAGE.
DEFINITION AND EXPLANATION.....	532
WHEREIN LIES SPECIAL INTEREST OF WAGE EARNERS.....	532
QUALITY FROM TWO STAND-POINTS.....	533
PERMANENT QUALITY.....	533
VARIATION IN QUALITY.....	533
THE NATURAL RESULT.....	534
EXPERIENCE.....	535
UNITED STATES.....	536
JAPAN.....	539
CHINA.....	541
INDIA.....	541
MEXICO.....	544
SUMMARY AND CONCLUSION.....	544

QUALITY OF MONEY AND WAGES.

DEFINITION AND EXPLANATION.

The operators in our mills and factories, together with those engaged in day labor of other kinds, constitute a great creditor class. They are creditors in the sense that they advance labor. At the end of a day or a week the amount due them for services performed is greater than that owing to any other class. But in the majority of cases the wage earner is dependent upon his daily or weekly earnings, so that the vital question with him is as to their immediate purchasing power.

To those who make exchange their business, or conduct mercantile or commercial affairs the available quantity of money is, at times, of peculiar importance. The merchant and banker desire a currency that will expand and meet the demands of business or contract when business undergoes a depression. There are individuals who believe that the money volume is of the greatest importance. The man who speculates or gambles is inclined to this view.

It is the value of wages—their exchangeability—that is most constantly brought to the notice of the thinking laboring man. The probable extent of the demand for his labor under given currency conditions is a matter of theory on which statesmen differ. The worth of given nominal wages in the face of varying prices is a practical question that he is compelled to solve daily.

The quality of money is indicated by its purchasing power. That money is of the highest quality of which a given nominal amount will buy the most of a given commodity.

Quality is a relative term. The greater the purchasing power of a piece of a given denomination, the "better" the money is said to be. In this sense the "best" money is that a given denomination of which will purchase most. For example, during the civil war a dollar in gold would purchase about two and one-half times as much as a dollar in greenbacks. This is expressed by saying that gold was then two and one-half times as good as greenbacks. It is not intended here to beg the question as to what is, on the whole, the best money a country should have, but simply to state the meaning in which the terms "good," "better," "best," are used in this pamphlet. Poor cloth or poor sugar may be better for some uses than good cloth or good sugar. And in the same way it is conceivable—though the writer does not believe it—that some time, or somewhere, or for somebody, poor money might be better than good money. Which is the better for our wage earners is the inquiry here proposed. The question is not one of nominal wages, but rather whether for a given amount of work, the wage earner paid in good—that is, high-priced—money will be able to secure more of the good things of life for which, in fact, he labors, than will the laborer paid in poor—that is low priced—money.

No matter how large his nominal wages, if he can buy but little for them they are bad for him; no matter how low his nominal wages, if he can buy much with them, they are good for him.

WHERE LIES SPECIAL INTEREST TO WAGE EARNERS.

What a laborer really works for are the things which he consumes. Everything that goes to make goods cheaper tends to increase the real as compared with the nominal wages of the workman; for he is then getting more goods for the same money. On the other hand, every tendency to make things dearer tends to decrease in a corresponding degree the real wages of the people. "Wages are high or low according to the abundance of necessities, comforts or luxuries obtainable for them."

The laborer has only one thing with which to procure the comforts and necessities of life, and that is labor. He is interested in finding a market for it at the best price. The price is paid in money. He spends this money for the necessities of life, and in so doing the essential point with him is the purchasing power of his earnings. How much he can get in exchange for his wages is the question he asks. In itself it is of no importance to him whether his wages are nominally high or low; but it is of the highest import-

ance whether he is going to get more or less for them. With people such as bankers, merchants, brokers, who deal with long credits, other factors intervene. Their transactions extend over a series of months or years, and their adjustments are made with reference to widely separated periods. But the wage earner spends almost daily the greater part of what he receives daily. The fact that the value of money fluctuates widely between distant periods is of little interest to him. The question with him is, "What can he get each day with the wages of that day?" How is this affected by the changes in the quality of money in which wages are paid?

QUALITY FROM TWO STANDPOINTS.

PERMANENT QUALITY.

In considering the question of quality—that is, the real purchasing power of a given denomination of money—two phases of this question present themselves, namely: that of permanent quality, and that of changes in quality. The first of these is mainly a matter of convenience. Copper or iron might serve admirably as denominators of values, but as money metal for actual service they have failed. Iron might be as good a standard as gold or silver, but it cannot be conveniently used as a money metal. Business would have to be carried on with such an enormous bulk of such money that trade would be burdened by the attempt to use it. Copper has served as a money metal. It may be just as good for a measure as any metal. But in Sweden, where such a medium of exchange was used down to a late period, the merchant found that he was compelled to carry his change around in a wheelbarrow. The reason why we use gold, and are inclined to discard silver, is not entirely because the former is a more stable standard than is any other metal, but because of the convenience with which it is used. Gold would lose its place as money if a more convenient medium was found. Silver is becoming too cheap and too bulky to be a convenient form of money; and so the financial world is now inclined to discard it—just as iron, copper and other substances have been cast aside as the world advanced.

Again, for obvious reasons, stability of value is an essential quality of a medium which is to be permanently used. Indeed, it is conceivable that a more bulky material such as iron, might for currency purposes be on the whole better than gold, *provided* that the value of iron at different times and places was more stable than that of gold. In fact, however, the very bulk of iron when compared with gold of the same value tends to make iron less uniform in value than gold. A metal so bulky that a given value of it can with difficulty be transported from place to place, and the local value of which is therefore so largely dependent on local demands, is naturally less stable in value than one of which the same value can be so easily transported that the relations between the local demand for it and supply of it are practically fixed by the relations between demand and supply in a whole country, and almost at once in the whole world. Taking the world over, therefore, for this reason alone (and there are others) gold is more stable in value than iron, just as iron is more stable in value than potatoes; and both on account of the great bulk of a given value and the great variations in their value at different times and places, potatoes would be less acceptable than either iron or silver or gold as a standard of value or as a medium of exchange.

Such are some of the reasons why people in general find gold the most convenient medium of exchange. And to the extent to which the wage earner is more directly interested, either in that convenience of currency that shall secure the small profit margin obtainable in modern business, or in that stability of value that gives security and availability to investments, he is interested in having "good" money; that is, money of which, other things being equal, great value is contained in small bulk—gold, as compared with silver, copper, iron or potatoes.

VARIATION IN QUALITY.

But for him this is not the main consideration. It is only in a limited and incidental way that the wage earner is a capitalist or investor. The main use to which he puts his wages is to buy with them each day or week what he needs that day or week. And

to him convenience of bulk and stability of value are of comparatively small importance. If he were paid once a year it might be much more convenient for him to get his wages in gold than in either silver or copper or iron; if he is paid weekly, though he might find it a little bulky, the extra weight of the silver does not seriously inconvenience him; while if paid daily even copper could be gotten along with. For the amount that he must handle would be comparatively small; and as he gets rid of it in the main, on the same day or in the same week, he would feel the inconvenience less than though he had larger amounts to handle at any one time. That is the reason why, for people whose transactions are in the main very small, and frequent, silver or even copper may be more convenient than gold.

Again, it is plain that permanency of value, *as such*, is of little interest to the wage earner. To the extent that he spends each day or week the wages he receives for that day or week, it is perfectly immaterial what those wages will buy at some future time or would have bought at some other time. He is concerned only in what they buy at the time when he must spend them.

The wage earner, therefore, has but little direct interest either in permanent quality of money or in the stability of the standard of value. His main interest is that the wages he receives each day shall buy the most possible that day. The amount of money he handles is so small that its bulk is a matter of comparative indifference to him. He buys for cash, hence cannot make his purchases beforehand; he practically spends all his money the week or month in which he gets it; hence he is not interested in what he might get for it some other day or week or month.

The inquiry has become very narrow. We have left only to inquire what effect the quality of the money standard will have upon the immediate exchangeable value of the wages the wage earner is likely to receive from day to day. We must admit at the outset that, whatever the permanent quality of currency, wages, prices, etc., will tend to adjust themselves to it. For money is, after all, a medium of exchange, and only through this use a standard of value; and trade constantly tends to the point where equivalent services and values are exchanged; or, as we say, trade adjusts itself to the medium of exchange. In the long run, therefore, whether the money be good or poor, labor is apt to secure for its service about the amount of return that, in view of other social and political conditions, it would in any case receive.

The inquiry is thus narrowed again, and we have at last to consider the comparatively simple problem: In case money is not stable in value, under what conditions will the wage earner gain or lose most? Is it to his advantage to have money get better and better, that is, prices lower and lower; or to have money get poorer and poorer, that is, prices higher and higher?

That is not so simple a problem as it seems. If we could assume that wages would remain at the same nominal amount, then, of course, every appreciation of the money in which they are paid would multiply to a corresponding extent the real compensation each receives. But if wages increased or diminished in inverse proportion to the value of the money in which they are paid—as they unquestionably tend to do—then their purchasing power would remain the same, and the poorer his money was, just so much the more of it would the laborer get; so that he would not be specially interested in its quality. If, however, the prices of what he has to buy change less or more promptly than does the amount of the wages he receives, it is plain that he is most deeply interested. And here we have the vital point of this discussion.

THE NATURAL RESULT.

Everything in the world is affected by inertia—that is, a tendency more or less strong to remain as it is, and which it takes time and force to overcome. If we change the centre of gravity of a mass of quicksilver, it readjusts itself as quickly as a flash; if we tilt a measure of molasses, it slowly settles itself in accord with its new conditions. Both will ultimately exactly conform to the laws of gravity. One does it instantaneously, the other deliberately. Just so with prices. Let a spectator stand in the gallery of our Produce Exchange. Not merely every day, but every hour, sometimes every minute, the price of wheat fluctuates. The report of an untimely frost raises the price; a favor-

able government report lowers it. The adjustment of a railroad war may raise or lower prices. The arrival of "tramp" shipping ready to offer low freights may affect them; and the great trade in breadstuffs, comparable to the ocean in its extent, is seen to be as sensitive and fluctuating as are the waves of the sea. Take the salaries of our public employees, on the other hand. They are readjusted by the slow progress of legislation fettered by coils of red tape, and for years—and frequently for decades—remain unchanged. It is too plain to need explanation that the street laborer who receives two dollars a day, no matter what is the general price for labor, and no matter whether goods are high or low, and the Commissioner at five thousand dollars a year, are alike interested in having the best money possible—that is, prices as low as possible, and the dollar able to command more and more of what each has to buy—and would be injured by a rise in prices—that is, poorer money, or a depreciation in the purchasing power of the dollar. And, since prices change promptly, and public salaries and wages but slowly, then if money is made poorer, that is, if prices rise, it will be years before salaries and wages change, and meanwhile what each receives will buy less and less. On the other hand, and for the same reason, if money is made better—that is, if prices fall—for years to come the same nominal salary or wages will buy more and more of the comforts of life.

The example given is extreme, but typical, as on reflection every wage earner will admit. If he will look over his butcher's and grocer's bills, he will find prices changing from week to week, thus showing, not indeed that the general value of money is thus fluctuating (for factors of temporary demand and supply may intervene), but that retail prices, though less frequently changed than wholesale prices, are sensitive, and promptly respond to any change in the value of money—that is, prices will be promptly lower if the money is made better, and promptly higher if the money is made poorer.

Now, take the wages of labor. Let each consider the wages paid in his own and other occupations with which he is acquainted. They change sometimes, indeed; but how rarely and how hardly. Once or twice in a year, once in two or three years—such is the comparative rarity of wage changes—in large measure changing only after a strike, or lockout, or a series of conferences after long hardship and dissatisfaction on one side or the other.

The result is plain. The prices of what wage earners have to buy respond far more promptly to changes in the quality of money than do wages—the prices at which labor is sold. Hence, whenever money is getting better, though nominal wages may tend to decrease, wage earners are constantly getting more goods in exchange for the money they actually get for their labor; and whenever money is getting poorer, though nominal wages may tend to increase, wage earners are constantly getting less of the necessities and comforts of life in return for the wages they receive. **Appreciation of the dollar in which wages are paid, and consequently lower prices, is, therefore, constantly and certainly to the advantage of the wage earner. Depreciation of the dollar, and consequently higher prices, is always and certainly to his damage.**

EXPERIENCE.

Up to this point only the theoretical side of the subject has been considered. The constant comparison of the United States with silver-using countries demands a thorough consideration of the reasons for this comparison. It is insisted that the gold-standard countries have crippled themselves and enabled the countries having silver money standards to secure an increased share in the trade of silver-using nations. Not only this, but it is asserted that, while gold-standard countries have been in a depressed commercial condition, silver-standard countries have been enjoying increased export trade, prosperity in manufacturing and increase of facilities for developing their commerce. And the statements made do not stop at this. The wages of those engaged in the industries of silver countries are said to have increased or remained where they were. At the same time, the cost of production having been reduced, in comparison with gold-using nations, it is claimed that their manufacturers are thus enabled to undersell the gold

nations in the markets of the East. In fact, the condition of the people of the silver-standard countries is said to have been bettered by the continuous use of silver, while the remainder of the world, being on a gold standard, is made to serve them, and silver-standard countries have usurped the position of the western nations in the commerce of the East. All this is very "important, if true." But is it true?

Granting, for the time being, that popular conditions in countries using silver have improved, What of it? Is there a silver country in existence that is now on as high a plane of civilization as is that generally prevalent in gold countries? Are not the wage earners, the laboring population of the gold nations better cared for, better clothed and fed and possessed of more comforts than the working men of the silver countries? No one disputes this.

If the issue between a gold standard or a silver one is to be settled by a comparison of the condition of wage earners, working respectively under one or the other, preference must be given to the gold standard, just as certainly as the conditions of labor are better in the United States, Great Britain and Germany than in Mexico, India and China.

But, in all fairness, we must admit this betterment of conditions in gold-standard countries is not so much the consequence of the use of a gold standard as of the general development of what we call civilization, of which the use of a gold-standard is rather a symptom than a cause. Other things remaining the same, no one will claim that the adoption of a silver standard by the United States would reduce us to barbarism, or that any use of a gold standard by China would alone raise her civilization to the level of that of the United States. But what has been the experience in both civilized and uncivilized countries as to the results of appreciation and depreciation in their standards?

Naturally in different countries, and even in the same country at the same time, the quality of the money has not always been the same. How has the wage earner fared pending changes? Has the depreciation of the currency made him better off, or has he been injured? Theoretically, there can be no question as to the answer. Practically, many questions have been raised concerning the evidence.

UNITED STATES.

The history of the United States probably offers better facilities for tracing the effect of a currency on the welfare of the wage earner than that of any other nation. Statistics here have been more carefully compiled. More than that, the history of the country has been a continued experiment with money standards; so that the United States, as colonies and a nation, has tested nearly every phase of the Money Question.

The Civil War and its accompanying phenomena offer better advantages for investigation than any other period. It was during this period that the exigencies of the situation brought about a depreciation in the quality of the money in circulation. The first issue of legal-tender notes caused great uneasiness, the currency was inflated, the standard depreciated and prices advanced at once.

This depreciation was extreme in 1865, continued for a year longer at a high rate and then irregularly diminished, disappearing January 1, 1879, when the government resumed specie payments. Generally speaking, 1862-5, inclusive, was a period of great and on the whole increasing depreciation, 1866-95 a period of irregular appreciation. We have thus thoroughly tried both. Statistics are ample from which their results can be shown. What are the conclusions to be drawn from this experience?

If we take the average nominal wages paid to wage-earners in the leading occupations in 1860 as an arbitrary normal 100 per cent. for nominal wages; and let the amount of the leading necessities of life that could be purchased in 1860 by the wages then paid be represented by an arbitrary 100 per cent. for the purchasing power of wages, then by comparing the average nominal wages paid at any given period with the price at that period of the given amount of necessities, we get the purchasing power of wages at that time when compared with 1860.

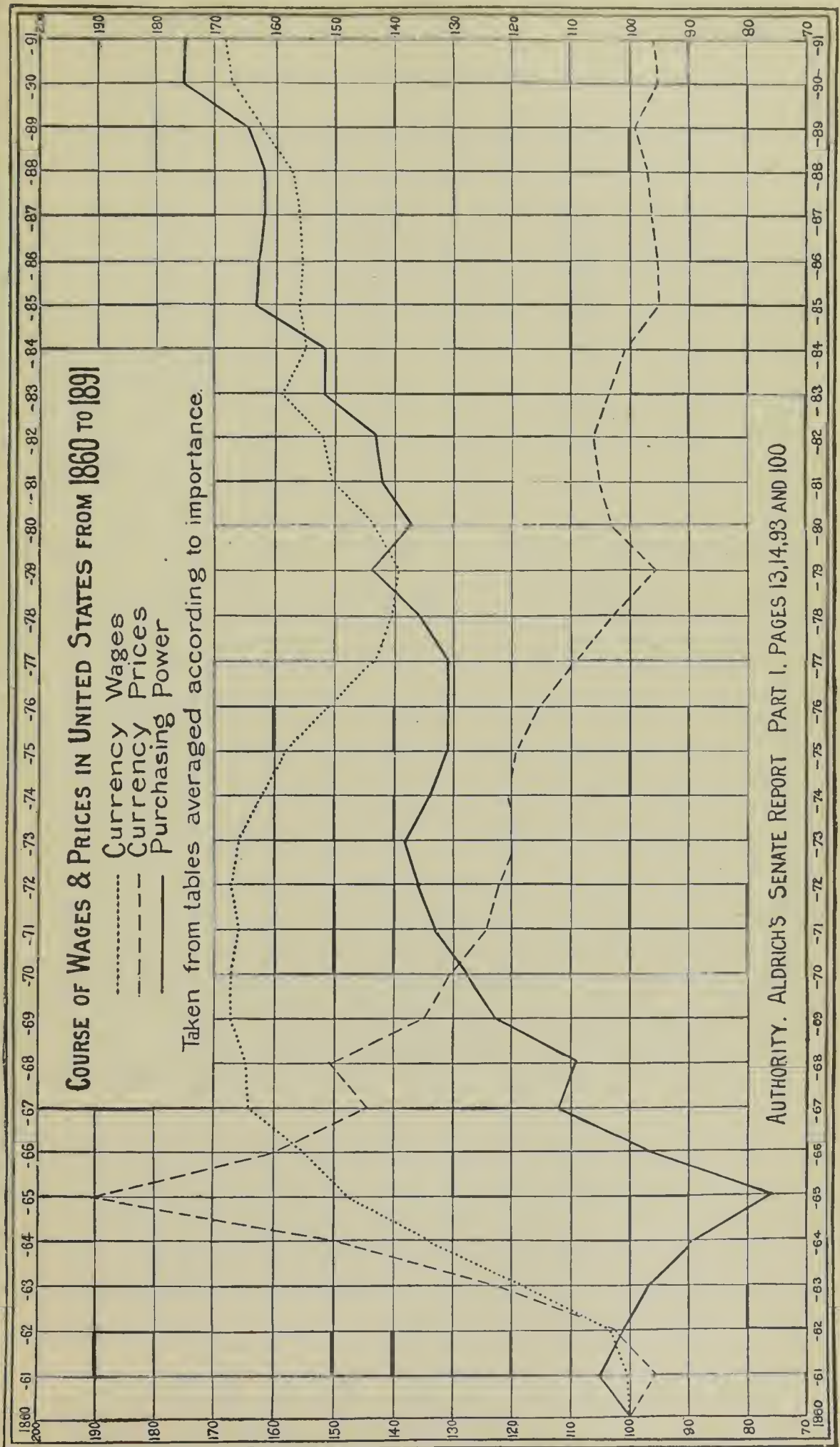


Table of Wages, Prices and Purchasing Power in the United States, 1860-1891.

[Aldrich's Senate Report, Part I., pp. 13, 93.]

YEAR.	CURRENCY WAGES.	CURRENCY PRICES.	PURCHASING POWER.	YEAR.	CURRENCY WAGES.	CURRENCY PRICES.	PURCHASING POWER.
1860	100.0	100.0	100.0	1876	151.4	115.5	131.0
1861	100.7	95.9	105.0	1877	143.8	109.4	131.4
1862	103.7	102.8	100.8	1878	140.9	103.1	136.6
1863	118.8	122.1	97.3	1879	139.4	96.6	144.3
1864	134.0	149.4	89.7	1880	143.0	103.4	137.6
1865	148.6	190.7	77.9	1881	150.7	105.8	142.4
1866	155.6	160.2	97.1	1882	152.9	106.3	143.8
1867	164.0	145.2	112.9	1883	159.2	104.5	152.3
1868	164.9	150.7	109.4	1884	155.1	101.8	152.3
1869	167.4	135.9	123.2	1885	155.9	95.4	163.4
1870	167.1	130.4	128.1	1886	155.8	95.5	163.2
1871	166.4	124.8	133.3	1887	156.6	96.2	162.7
1872	167.1	122.2	136.7	1888	157.9	97.4	162.1
1773	166.1	119.9	138.5	1889	162.9	99.0	164.5
1874	162.5	120.5	134.8	1890	168.2	95.7	175.7
1875	158.0	119.8	131.0	1891	168.6	96.2	175.4

Applying this test we find that for 1861 average wages had risen above those of 1860, so that their nominal rate averaged 100.7 per cent. instead of 100 per cent. Prices, however, fell to 95.9. This was undoubtedly due to the shock the various industries received by the opening of the war. But they were not long in recovering. With the beginning of 1862 our currency became materially and increasingly depreciated. In 1862 prices passed those of 1860 and reached an average of 102.8. The purchasing power of wages in 1861 was 105 per cent. of that of 1860; but in 1862, when the legal tender money began to get in its work, the average purchasing power was 100.8. That is, although the wage earner was getting much higher nominal wages, he had actually been docked $\frac{1}{20}$ of the wages he had received one year before. For 1863 the corresponding figures were 118.8 per cent. for wages, and 122.1 per cent. for prices. This gives a purchasing power of 97.3 per cent. The wage earners nominal wages were higher than ever, but he was actually making less than in 1860. In 1864 the figures were 134 per cent., 149 per cent., 89.7 per cent.; and for 1865, 148.6 per cent., 190.7 per cent., 77.9 per cent. In other words, the result was just what, as explained above, might have been expected. Depreciation in our currency standard had caused a rise in both prices and wages; but prices had risen so much faster than wages that the wage-earner had been forced to work for less and less every year, until in 1865 he was working for less than four-fifths of what he had received in 1860.

Meantime, the contractor, speculator and gambler were reaping the benefits supposed to be inherent in such a money. A few of the manufacturers were growing rich, and, as there seemed to be plenty of money and apparent high wages, the idea that the North was growing rich came quite naturally. In reality the apparent prosperity was in large measure simply a display, in lavish use, of a part of the far greater sums we were then borrowing and ever since have been paying, and the diversion to showy expenditure, on the part of the wealthy few, of a pitifully great and increasing proportion of what ought to have been the savings of the poor. The fellows on top made all the show, and did most of the talking, while the wage-earners labored on, hoping for better things.

From 1865 on we had, generally speaking, continuous, though irregular appreciation of our currency standard, *first* by the approach toward resumption of specie payments which took place in 1879; and then by the increase since then in the purchasing power of gold, which has been our standard since 1879. What was the result to the wage-earner?

Using the same normal, that of 1860, the figures for 1870 were 167.1 per cent., 130.4 per cent. and 128.1 per cent.; that is, though his nominal wages had not risen since 1865 he could buy with them five-eighths more than then and even one-quarter more than in 1860. In 1880 the figures were 143 per cent., 103.4 per cent., 144.3 per cent.; that is, though wages had fallen in nominal amount one-ninth below those paid in 1875, their purchasing power was greater than ever and 44 per cent. greater than in 1860. And in 1890 the figures were nominal wages, 168.2 per cent. of those paid in 1860; prices 93.7 per cent. of those current in 1860; the purchasing power of the wages actually received in 1890 being thus three-quarters more than those actually received in 1860.

The table on page 392 shows the figures for each year; and it only remains to call the attention of the wage-earners to what they already know better than any one else—the fact that if they take the daily wages they are now receiving, they can buy more at the low prices now prevailing than at any previous time. In this country, since 1865, the wage-earner has received his pay in money which has, on the whole, steadily appreciated in value, so that the purchasing power of his wages has nearly doubled, while interest on capital averages scarcely half what it was.

With such a history and such an experience before him, he must be a foolish man indeed who desires to lower the quality of our money. It is not meant to suggest that the wage-earner should be satisfied, or that he should not strive for even a greater share of what, in co-operation with capital, he produces. He has as good a right to plan and combine toward that end as has the capitalist to increase his profits. It is under an appreciating currency that so much has been accomplished. Does he want to change this experiment for the one which immediately preceded it—during which, after the four years 1862–5, under a depreciating currency, he found himself, though with nominally high wages, working for only three-fourths the power to purchase that he had previously had?

The history of finance in the United States for the last thirty-five years gives one side of possible changes in quality—the detriment to wage-earners of depreciating money and the advantage that has come to wage-earners from appreciation of our currency standard. It is now proposed by an organized party and an irresponsible following to bring about free coinage of silver, and thus allow the country to experience a depreciated standard—that of silver. It is proper, therefore, that attention be directed to those countries which have tried that experiment and are at present using silver as a basis for their currency. What is the condition of their wage-earners? Are they better off than those of gold-standard countries? Have they been helped by the depreciation their currency has suffered? What has been the actual experience of Japan, China, India and Mexico?

JAPAN.

During the last ten or fifteen years, Japan has undergone an almost complete revolution. A study of this transition period is sufficient to invalidate the claim that she has prospered because of a silver currency. On the contrary, there are at once seen causes sufficient to have enabled her to prosper, despite it. The government of the country has changed from a feudal state to a constitutional monarchy. Old limitations and restrictions have been done away with, and Japan has entered the lists as a modern nation; so that it would be a matter of surprise if there were not some evidences of a quickened development in the commerce and business of the country. This is the view of Consul General M. W. McIvor in a recent report, in which he says: “Within very recent years Japan, realizing that she has a population fitted for the acquirement of skill in the technical manufacturing arts, and that such labor can be obtained here at a lower price than in any other country, has evidenced her determination to manufacture, not only for internal consumption, but for a broader market, and is

beginning to demand foreign raw material. She is aided in this undertaking by the fact there is no protection of foreign patents, and, her artisans being quick to imitate, she can successfully copy the best mechanical appliances of the countries of the globe, and can in this way produce a machine which, for given work, often excels any to be found in the world. This development of the various manufacturing arts is, we may say, still in the initiatory period; but the cotton fabric industry has undoubtedly passed beyond that stage, and Japan is to-day not only supplying her home consumption, but is shipping cotton fabrics abroad."

This report, coming as it does from such a reliable authority, and at a time when statements erroneous and otherwise are being made concerning the prosperity of the country, is particularly "apropos." Japan's advantage over India, China and Great Britain in the competition for the trade of the East is doubtless largely due to the low price of labor and the free use of the very best and latest patents without the payment of royalties. The manufacturing cost in India is $1\frac{1}{4}$ cents, while in Japan the cost is only $\frac{3}{4}$ cents per yard for cotton cloth. With such a difference as this, it is no wonder that Japan has succeeded in securing a place in the world's markets. The increase in cotton mills in thirty years has been very large. In 1863 there was one cotton mill in Japan; in 1893 there were 46. The number of spindles during that time increased from 5,456 to 600,000, while the output in 1892 amounted to 82,476,966 yards. This is all very well from the standpoint of the manufacturer. He profits by low wages and the high purchasing power of foreign money in silver-using Japan.

But how about the wage earner? The standard of living in Japan is very low. Six-tenths of the population do not earn \$10 per month. Mr. E. J. Smithers, Consul at Hiogo, says in the June, 1894, Consular Report, that the only obstacle to the introduction of American flour is that the Japanese are too poor to buy it. This sentence gives an idea of the wage earner's condition. The money in which his wages are paid, being measured by a silver standard, has steadily shrunk in value during the last few years.

*Prices in Japan.**

	1889.			1891.			1894.			PERCENTAGE. INCREASE SINCE 1889.
	Yen.	Sen.	U. S. Money	Yen.	Sen.	In U.S. Money.	Yen.	Sen.	In U.S. Money.	
Rice, koku†.....	4	37	\$2 39	8	15	\$4 48	7	08	\$3 82	62 per cent.
Wheat, koku.....	3	89	2 13	5	05	2 77	5	31	2 92	36 "
Beans ".....	3	96	2 17	5	45	2 99	5	47	2 90	39 "
Salt ".....	1	06	58	2	06	1 13	1	34	73	26 "
Sake ".....	12	87	6 87	14	38	7 90	14	08	7 71	9 "
Tea, caddies.....	24	48	13 46	25	67	14 12	26	77	14 72	9 "
Sugar, koku.....	8	61	4 73	9	89	5 43	10	02	5 51	16.33 "
Tobacco ".....	8	62	4 75	9	77	5 36	12	81	7 04	48.06 "
Cotton ".....	19	23	10 57	20	19	11 10	19	73	10 85	.26 "

*13th Statistics of Imperial Bureau, p. 602.

† Koku = 4.96 bu., or 179 lbs.

Wages on the whole have not advanced as rapidly nor as much as prices. In 1891 the carpenter received $15\frac{1}{2}$ cents (28 sen and 1 p.) per day, while in 1894 he received $17\frac{1}{4}$ cents (31 sen and 6 p.) per day—a gain of 12.3 per cent in the four years. If data could be secured for 1889 the advance would be still greater. The wages of the pottery maker, teamaker, foreign dressmaker and the cotton spinner have advanced the most. The percentage of gain in the wages of the carpenter, painter, sower, farmer and coolie have been $11\frac{1}{3}$; $11\frac{1}{9}$; $12\frac{2}{3}$; $2\frac{1}{9}$; $10\frac{2}{3}$ per cent. respectively for the four years. Policemen get from \$4.50 to \$8.25 per month; teachers in government primary positions from \$6.50 to \$19 per month; clerks in post-offices, custom-house officers and similar positions receive from \$4.50 to \$33 per month; teachers in boy's high schools, from \$8 to \$40 per month. These salaries are reduced to the basis of our own money.

It will be seen from the comparison of prices and wages that in nearly every case food products have risen faster than wages. This is especially true of rice, beans and wheat, the principal food staples of Japan. The increase in wages has been

something like 14 per cent. throughout the country, while the advance in the principal staples has been 28 per cent. Since 1889 the wages of the farmer have advanced about 3 per cent. Rice, the principal article of food has gone up 62 per cent., while wheat and beans have each increased 36 and 39 per cent. in their price. Under such conditions the farmer is in a bad situation. Other occupations have received a somewhat larger increase, but none of them equal the advances in prices.

At present Japan is a good place for the manufacturer. Gold will buy more now than at any other time; wages are low, and, taken all in all, textile products can be manufactured and sold to advantage in competition with those of Great Britain or India. But the rest of the people have nothing to be thankful for. Japan is now repeating our experience of 1862-65. Her currency has steadily depreciated for the last few years, not, to be sure, from lack of credit, but from the fact that she uses silver as a standard. Changed political conditions and the late war have given an extraordinary stimulus to her manufacturers. Her manufacturing employers are prospering as never before, paying low wages, selling in an eager market—stimulated by the steady stream of extraordinary government expenditure of borrowed money which future generations will have to pay. Meanwhile the Japanese laborer gets for his wages even less of food and clothing than in former times.

CHINA.

China, directly across the sea from Japan, has had a somewhat different story. There has been no such awakening as in Japan. The mode of living, the manner of dressing, the methods of agriculture, are the same as they were fifty years ago. China is a hermit nation, and, living apart as she does, the effect of depreciation of her money, when compared with the world's standard, is not felt to any great degree. The commercial money of China is silver, although there is a great deal of gold in the country, and the great mass of petty trading is carried on with copper "cash." But China as a whole buys more than she sells, and uses her gold to pay for the goods. Imports have been greater than exports for several years. From 1882 to 1892 the imports amounted to \$411,198,780 (56,328,600 O. H. taels) in merchandise and \$733,650 (1,005,000 H. taels) in treasure. The exports amounted to \$387,698,620 (531,094,000 H. taels) in merchandise and \$21,547,000 (29,517,000 H. taels) in treasure. As long as China continues to buy heavily in the markets of the world it is not likely that her money will depreciate at home. China's ability to absorb silver depends upon the preponderance of exports over imports. Under present conditions it is not likely that she will continue to import silver, and her imports are now largely paid for in gold.

Since there has been no great influx of silver into China—and China has never had much silver—there has been little chance of any great change in the purchasing power of her silver money. Although wages, rent and taxes remain unaltered, still gold will buy more than it would before. In 1893, four shillings in gold would buy what it formerly took 6s. 6d. to purchase. In other words, \$60 in gold will do what formerly required \$100. Gold, however, is used in payment for imports, while silver and copper remain the money of the people. Wages are very low; skilled workmen only getting from 10 to 30 cents per day, while unskilled laborers sell their strength for 5 to 10 cents per day (as computed in silver).

In the case of China, the depreciation of silver has had therefore but little effect upon her masses. But it has not raised the nominal wages of the working classes.

INDIA.

India's development has tended to raise local prices. The competition for her exports, the importation of gold and silver to the amount of \$150,000,000 in 30 years, and the opening of railroads to the interior have all tended to raise prices. But notwithstanding India's development, she has suffered grievously by the depreciation of silver. Our silver advocates, however, cannot deny that wages have fallen and prices risen in such a way as to make the burden of her laboring classes greater than ever before. The Indian Commission in its report for 1892 says on page 462: "The fact that wages and

"all prices do not rise to the same extent enable the producer of tea, for instance, to make a temporary gain at the expense of employees and of those to whom he has to make fixed money payments. This profit is usually only temporary, since with the depreciation of the standard, all wages and prices tend to rise, and when the rise is completed the profit disappears. If the profits should happen to be considerable, and should last a long time, it supplies an unnatural and temporary stimulus to trade which leads to overproduction and consequent reaction."

It is measurably true in India, as everywhere else, that wages and prices tend in the long run to adjust themselves to each other. But what is the immediate consequence? Given, as in India, the case of a depreciating standard, and who suffers during the years or decades of adjustment? The result proves to be the same here as elsewhere. It is labor that pays for the changes.

In fifteen of the twenty-three provinces given in the tables of the Finance department of the British India Government wages have fallen during the last seven years. In five provinces wages have remained the same, and in four instances wages have advanced. In eight provinces agricultural labor has advanced, and in eleven the price of skilled labor has gone up. In Patna, Cawnpore, Delhi and Karachi the wages of both skilled and unskilled labor have fallen. In Patna and Cawnpore the price of all grains has risen, but in Delhi the price of wheat, barley and grain has risen, while in Karachi barja alone has not advanced. In these provinces, the condition of the working class in 1893 was decidedly worse than in 1873. The greatest advance in wages took place in Rangpur, Rawalpindi, Raipur and Madras. In Rangpur during the last seven years the skilled laborer has received an increase of 65.8 per cent. At the same time, however, the unskilled laborer lost 6.67 per cent. in his wages, while rice and wheat advanced 46.6 per cent. and 39.4 per cent. In Rawalpindi the same thing took place, the skilled laborer getting 58 per cent. increase in his wages and the unskilled laborer getting .9 per cent. less. Prices in this province advanced from 2 per cent. to 20 per cent., wheat and barja being quoted at 17.6 per cent. and 20 per cent. In Raipur the case was reversed; there the laborer got an advance of 29.7 per cent. and the skilled laborer lost 17.1 per cent. The price of wheat went up 38 per cent. and rice 13 per cent., so that the working class in this province was injured by the change. One more example, that of Madras, will suffice. In this province the wages of the laborer increased 11.4 per cent., and of the skilled laborer, 48.1 per cent. Prices, however, kept pace, rice, barja and raga going up 28, 33.9 and 49.3 per cent.

In the forty-six different quotations of wages in the twenty three provinces of India the purchasing power in thirty-five cases has decreased. This diminution has been as great as 43 per cent. in Salem, and as small as 1.6 per cent. in Jubbulpore. In every province except two the average price of grains has increased, the increase varying from 1.8 per cent. to 52 per cent. The figures given in the table are from the statistics of the India government. Although there may be some question as to their absolute correctness, still there can be no doubt as to their relative value. They show the conditions in India as they exist.

Table of Prices and Wages in India, 1886-93.

PROVINCES.	GRAINS.	PRICES.		INCREASE.		OCCUPATION.	WAGES.		PER CENT.	
		1886-90.	1891-93.	Per Cent.	Average Increase.		1886-90.	1891-93.	Increase or Decrease.	Purchase Power, Decrease.
				%	%				%	%
Calcutta	Rice ..	81	107.6	32.8	} 25.1	Skilled Laborer ..	177	173	2.3	21.9
	Wheat.	84	98.6	17.4						
Patna	Rice ..	101	110.3	9.2	} 12.4	Laborer. ..	30	129	.8	11.8
	Wheat.	88	101	14.7		Skilled	110	109	.9	11.9
	Barley	101	114.6	13.4						
Rangpur	Rice ..	127	186.3	46.6	} 43	Laborer	133	124.3	6.6	34.7
	Wheat.	92	128.3	39.4		Skilled	155	257	65.8	15.9
Backergunge.	Rice ..	161	210.6	30.8	} 14.4	Laborer	103	77.6	24.7	34.2
	Wheat.	99	112.3	13.4		Skilled	111	116	4.5	8.7
	Jawar .	105	104	1						

PROVINCES.	GRAINS.	PRICES.		INCREASE.		OCCUPATION.	WAGES.		PER CENT.	
		1886-90.	1891-93.	Per Cent.	Average Increase.		1886-90.	1891-93.	Increase or Decrease	Purchase Power, Increase or Decrease
Cawnpore...	Bajra..	103	108	4.8	9.1	Laborer..... Skilled.....	110 133	106.6 114.6	3.1 13.9	11.2 21.1
	Barley..	96	106.3	10.7						
	Gram..	91	106	12.7						
Fyzabad.....	Wheat..	99	113.3	13.9	11.8	Laborer..... Skilled.....	70 105	70 105	10.6 10.6
	Jawar..	19	130	7						
	Bajra..	107	127	18.7						
	Barley..	93	104.6	12.4						
	Gram..	88	99.6	13.2						
Meerut.....	Wheat..	121	138	11.3	8.2	Laborer... Skilled.....	122 125	122 140.6 12.4	7.6 3.9
	Jawar..	132	137.6	4.2						
	Bajra..	133	145	9.0						
	Barley..	120	132.6	10.5						
	Gram..	114	121	6.1						
Delphi.....	Wheat..	117	126.6	8.2	9.7	Laborer..... Skilled.....	103 125	100 121	2.9 3.2	11.5 11.8
	Jawar..	131	137.6	5						
	Bajra..	127	145	14.1						
	Barley..	121	132.6	9.5						
	Gram..	108	121	12						
Amritsar.....	Wheat..	132	165.3	17.6	17.8	Laborer... Skilled.....	110 114	117 114	6.4	9.7 14.1
	Jawar..	163	193	18.4						
	Bajra..	173	203.3	17.5						
	Barley..	143	171.6	20						
	Gram..	120	138.6	15.5						
Rawalpindi..	Wheat..	109	133.3	22.3	15.4	Laborer... Skilled.....	116 118	115 187	.9 58.5	14.1 37.3
	Jawar..	114	116.3	2						
	Bajra..	116	140	20.6						
	Barley..	97	116	19.5						
	Gram..	113	127.3	12.6						
Karachi.....	Wheat..	132	142.3	7.6	5.9	Laborer..... Skilled.....	121 156	120 136.6	.9 12.5	6.5 17.4
	Jawar..	132	141.6	7.2						
	Bajra..	152	150.6	1						
	Barley..	130	143.3	10.2						
	Gram..	96	101.3	5.5						
Belgaum....	Wheat..	71	103.3	43.6	21	Laborer..... Skilled.....	83 84	89 78.6	3.5 6.5	14.5 22.8
	Jawar..	85	93.6	10.1						
	Bajra..	89	97.3	9.3						
Ahmadnager..	Wheat..	136	132	11.8	2.6	Laborer... Skilled.....	160 134	160 125.3 6.5	2.6 8.9
	Jawar..	154	154.6	.4						
	Bajra..	152	145.3	4.4						
Bombay.....	Wheat..	116	128.3	10.6	10.7	Laborer... Skilled.....	103 123	122 92	18.4 25.2	6.9 32.5
	Jawar..	114	134.6	18.1						
	Bajra..	118	122	3.4						
Ahmadabad..	Wheat..	16	121	4.3	1.8	Laborer..... Skilled.....	108 90	117 95	8.3 5.5	10.3 7.4
	Jawar..	10	122.3	5.9						
	Bajra..	127	122	3.9						
Jubbulpore..	Wheat..	126	141	11.9	8.8	Laborer..... Skilled... ..	90 80	99.6 83	10.6 3.7	1.6 4.8
	Jawar..	136	143.3	5.4						
	Gram..	112	122.3	9.2						
Nagpur.....	Rice....	147	150	2.0	9.8	Laborer... Skilled.....	84 125	86.6 125	3.1	6.1 8.9
	Wheat..	127	156.3	23.1						
	Jawar..	138	149.6	8.4						
	Gram..	107	113	5.6						
Raipur....	Wheat..	191	264	38.0	18.6	Laborer..... Skilled.....	138 103	179 89.6	29.7 17.1	9.3 30.1
	Grain..	187	191.6	4.1						
	Rice....	210	239	13.8						
Billary....	Rice....	99	127.3	28.5	37.4	Laborer..... Skilled.....	126 100	148.6 121.6	17.9 24.6	14.2 9.3
	Jawar..	84	116.3	38.4						
	Bajra..	105	140	33.3						
	Raga..	104	155.3	49.3						
Madras.....	Rice....	119	153	28.5	36.2	Laborer..... Skilled.....	92 97	102.6 144.3	11.4 48.7	19.2 9.1
	Wheat..	90	120.6	34.0						
	Bajra..	107	143.3	33.9						
	Raga....	102	151.6	48.6						
Salem.....	Rice....	122	166	36	52.8	Laborer..... Skilled.....	141 102	144.3 88.6	2.3 13.2	33. 43.5
	Wheat..	90	164	82.2						
	Bajra..	101	143	41.6						
	Raga....	102	154.6	51.6						
Rangoon.....	Rice...	106	117	10.4	10.4	Laborer.....	127	108.3	14.7	22.8
						Skilled.....	74	80.3	8.5	1.3
Toungoo....	Rice...	231	220.6	4.5	4.5	Laborer.....	92	95.3	3.6	8.4
						Skilled.....	210	141.3	32.7	29.5

Authority—"Prices and Wages in India," Statistical Department of the Indian Department of Finance and Commerce, 1894, pp. 162-170, 290-295. Figures in bold faced type indicate decrease.

On the whole there has been an equalizing tendency at work in India. The decline in silver has caused a rise in prices, and also in most provinces a rise in wages. But the latter is so much slower than the former in its readjustment that it will be a long time before the people will get on as comfortable basis as before. The Herschell report estimates that the wages of agricultural laborers since 1873 have risen 6 per cent., grooms 8 per cent. and ordinary mechanics 16 per cent. But it is doubtful if any such general percentage can be given. India may have increased her exports, and thus have secured sufficient additional demand for labor to compensate for the injury done to her working population by the decline in her money standard; *but this increase is mainly in her exports to silver-using countries*, and plainly the result of industrial development, not of money depreciation.

MEXICO.

It is undoubtedly true that manufacturing in Mexico has increased since the fall in the price in silver. Mexico has been forced, by the high rate of foreign exchange and the fact that what she buys must be paid for in gold, or by exports, to develop a new side of her industries. It is not that she is doing more, but rather that the principal product of her soil will not buy one-third as much as it did before the fall in its price. In other words, her other resources are being drained to make up for the fall in price of silver. Formerly Mexico paid her obligations in silver; she now pays them largely in agricultural products and gold. Mexico's trade is really no more extended than it was before; but instead of her exports consisting of silver dollars they now consist of products either raised or made in the country. The last six months of the calendar year 1894 shows a diminution of only \$31,091 expressed in gold over the imports of the corresponding six months in 1893. The fact is that, as a consequence of the fall of silver, it requires more Mexico's agricultural products and more of the products of her mines to pay her debts.

At the present time the low price of silver makes it unprofitable to export it. Naturally depreciation of a currency will react upon prices and wages in the order named. Prices move first and wages follow; such is Mexico's experience as well, as all the evidence shows. This quotation appeared in the publications in the Bureau of American Republics, No. 9, 1891: "One of the greatest evils (referring to Mexico) "at the present time is the existence of a scale of wages which defies all power of "reduction; which robs the laborer of all sense of dignity or feeling of association with "the rest of their fellow-citizens, and having reduced them to a condition of abject "abasement, deteriorates to a like extent their productive power and the measure of "their ability. They are content to regard themselves as a plant or machinery which "moves by extraneous aids only, and has no power of volition, and no desire to "exercise it if it had."

Senor Romero, in a recent article in the *North American Review*, says: "The silver "standard is a great stimulus in developing home manufactures, because foreign commodities have to be paid in gold, and, owing to the high rate of exchange, their price "becomes so high that it pays well to manufacture some of them at home; our low "wages also help to bring about these results."

Wages in Mexico have risen somewhat in the last few years. Blacksmiths receive, in depreciated silver, \$1 to \$2.50 per day; carpenters, \$1 to \$1.50; factory hands, 50 cents to 75 cents; printers, \$1 to \$2; conductors, \$1; tailors, \$1 to \$1.50. In the United States, however, wages are two or three times those in Mexico. The prices paid are in Mexican money, so that the real wages are one half less than the amounts stated. There is the same difference in prices. Flour in Mexico was quoted at 5½ cents per pound; sugar, 19 cents; coffee, 24 cents; beans, per peck, 50 cents; rice, 8½ cents. In the United States the prices of these commodities are much less. Prices have risen in Mexico as well as wages, and, as usual, prices have advanced much faster than wages.

SUMMARY AND CONCLUSION.

In all the history of depreciation in coin money wage-earners have suffered the most. The statement that wages will rise under a silver standard is true. But when and how fast will they rise? After prices and more slowly. In the intro-

duction of a new quality of money there is always a period of distress ; and in such times the weak are pushed to the wall. Secretary Windom put it well when he said : "The quality of a circulation is even more important than the quantity. "Numerous devices for enlarging credit may, and often do, avert the evils of a "deficient circulation and a redundancy may sometimes modify its own evils before "their results become universal, but for the baleful effects of a debased and fluctuating "currency there is no remedy, except by the costly and difficult return to *Sound* "*Money*. As poison in the blood permeates arteries, veins, nerves, brain and heart, "so does a debased and fluctuating currency permeate all the arteries of trade, "paralyze all kinds of business and bring disaster to all kinds of people."

The Government of India, in a recent declaration, announced their opinion as being (1) "That a country as a whole makes no gain in its international trade by a depreciation of its standard, since the extra price received for its exports is balanced by the extra price paid for its imports.

(2) That the producer of an article of export may make a temporary and unfair gain from depreciation of the standard, at the expense of his employeess and of other persons to whom he makes fixed payments.

(3) But that this gain, while not permanent, is counterbalanced by a tendency to over-production and consequent reaction and depression, by a liability to sudden falls in price as well as to rises, and by the check to the general increase of international trade necessarily results from the want of a common standard of value between countries which have intimate commercial and financial relations."

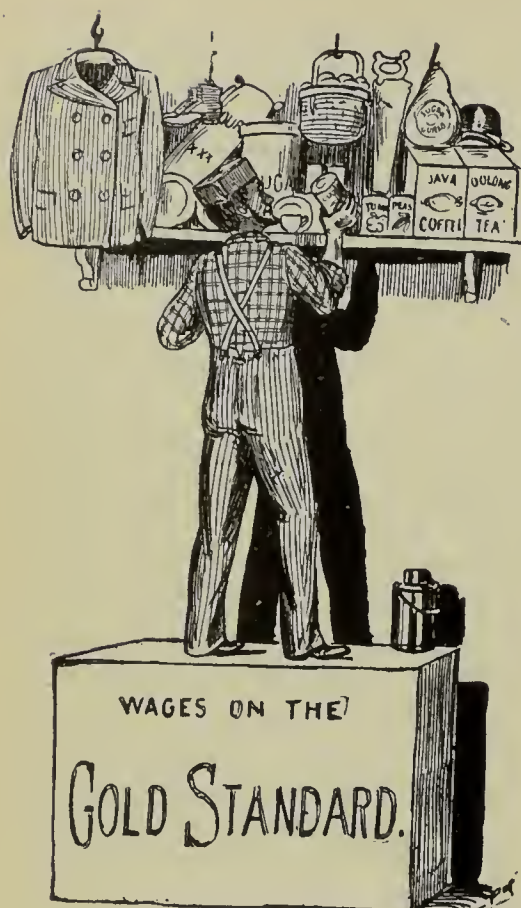
In addition to these interesting statements is another made by Mr. George Jamieson, British Consul at Shanghai. "Wages in gold-using countries have, through the appreciation of gold, become 100 per cent. dearer than they were relatively to silver wages" and the manufacturer in the silver standard countries can "obtain his labor at half the cost relatively to gold wages which he formerly paid."

The above quotations are from a United States Secretary of the Treasury, the Government of India, and a Consul of England in China. They represent the opinions of men from the individual, governmental and mercantile point of view. The evidence from them goes to show that the wage earner in the silver country has not gained anything by the change in the quality of money. Any reduction in the value of a dollar by depreciation of its bullion value, or any policy by which a change in a money is brought about is a diminution of its purchasing power in the markets. In silver countries wages have not kept up to their former purchasing power, neither are they as high as wages in gold countries. The wage earner has nothing to gain by depreciation in the quality of money.

The effects of a depreciated currency are well known. Should the money of this country depreciate, then would be repeated the story of the Civil War, during which the wage earner was continually getting the worst of it. On the other hand it is quite possible that money may further appreciate, and in that case the wages of the laborer in the United States would be still further enhanced, and prices would go still lower.

The only fair and just currency to all parties is a stable one. Under such a currency the conditions of the future are more easily ascertainable, legitimate enterprises more confidently entered upon, and progress more sure. Wage earners have no right to agitate for an appreciation of a currency, neither have they any reason to submit to depreciation by others.

CHOOSE YOUR WAGE STANDARD.



As in the United States, England, Germany and other gold standard countries.



As in Mexico, India, China and other silver standard countries.

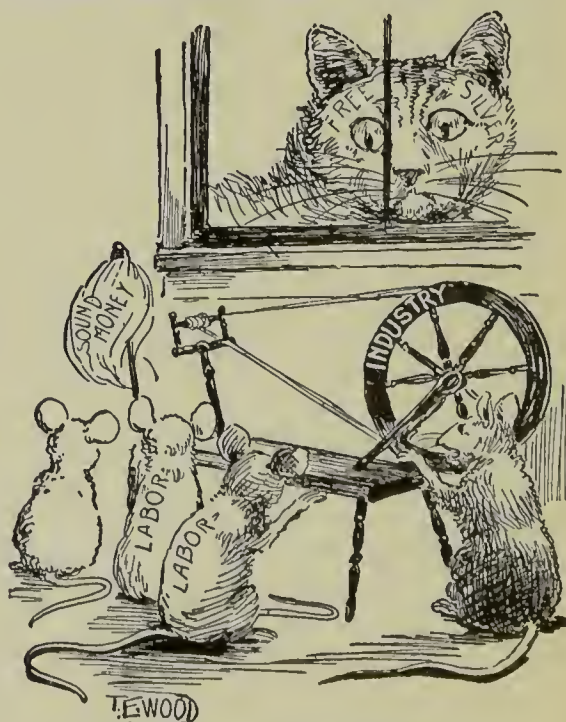
THEY STAND IT; WHY SHOULD NOT YOU?



MINE OWNER—"You ought to be ashamed to refuse to carry my little barrel. See what those fellows stand—you are stronger than they."

WAGE EARNER—"That's so—strong enough to refuse."

Wise as Well as Industrious.



Four little mice sat in a barn to spin.
Pussy came by and popped her head in.
"Shall I come in and bite your threads off?"
"Oh, no, kind sir, you will bite our heads off."

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"The depreciation of silver in the principal markets of the world continues, and as a consequence of the frequent fluctuation in the ratio of value between gold and silver coin, which fix circulation and international exchanges, our gold coin has been withdrawn from circulation, and the small amount issued from the mint is immediately sold for export by the owners at a premium of from 4 to 10 per cent., according to the price of good drafts on London."—Chilean Director of the Mint, 1878.

"Laborers have seen their wages increased, but their habitations, food and clothing have increased in price in the same or in greater proportion to their wages. Artisans and small tradesmen have seen the cash value of their products diminish in the same manner. To-day they earn 2 pesos where yesterday they earned 1; but the 2 pesos to-day represent 26 pence and the former peso was worth 45. The same has happened to all tradesmen and manufacturers who, although they have sold their produce at prices apparently high, have, on the other hand, produced or bought at an exaggerated cost on account of the depreciation of money."—Deputy Maximiliano Ibanez, La Cuestion Economica.

CHEAP MONEY IN CHILE.

EDWARD H. STROBEL.

	PAGE.
CHILEAN CURRENCY UNDER FREE COINAGE OF GOLD AND SILVER.....	548
GOLD DRIVEN OUT BY SILVER ABOUT 1874	548
CHILEAN BANK ISSUES.....	550
TEMPORARY INCONVERTIBILITY DURING THE WAR WITH SPAIN	551
QUASI-LEGAL TENDER BANK PAPER DRIVES SILVER FROM CIRCULATION....	551
CRITICAL CONDITION OF THE BANKS.....	551
BANK ISSUES MADE INCONVERTIBLE BY LAW	552
GOVERNMENT PAPER ISSUES.....	553
DURING THE WAR WITH PERU AND BOLIVIA	553
ISSUES BY PRESIDENT BALMACEDA DURING THE REVOLUTION.	553
FLUCTUATION IN EXCHANGE AND DEPRECIATION OF THE PAPER PESO.....	554
CAUSES OF THE DEPRECIATION.....	557
INFLUENCE OF CURRENCY DEPRECIATION ON WAGES.....	558
RESUMPTION OF SPECIE PAYMENTS.....	560
PREPARATORY MEASURES.....	560
NO SUGGESTION OF A RETURN TO FREE COINAGE OF BOTH METALS....	561
OUTLINE OF THE PLAN FOR RESUMPTION.	563
CONTINUED DEPRECIATION OF THE PAPER PESO.....	565
RESUMPTION ACT OF MAY 31, 1893.....	565
UNFAVORABLE OUTLOOK.....	566
RESUMPTION MADE POSSIBLE BY COMPROMISE	567
THE ACT OF FEBRUARY 11, 1895.....	568
SUPPLEMENTARY LEGISLATION	569
REDEMPTION OF BANK NOTES.....	569
THE OPERATIONS OF RESUMPTION.....	570
COURSE OF EXCHANGE	570
THE SUCCESS OF THE OPERATION.....	570

CHEAP MONEY IN CHILE.

After an experience of seventeen years under the monetary system of fiduciary paper, Chile has successfully accomplished the resumption of specie payment.

In view of the importance of the operation, it is advisable to give a summary of the previous financial history of the country by tracing the steps which led to the introduction of inconvertible paper, explaining the financial difficulties which resulted therefrom, and examining the various laws which were enacted for the purpose of restoring a stable money to the Republic.

CHILEAN CURRENCY UNDER FREE COINAGE OF GOLD AND SILVER.

The Act of January 9, 1851, established in Chile the free and unlimited coinage of silver and gold at the ratio of 16.39 to 1, and authorized the issue from the mint of coins of the following weight and fineness:

Metal.	Coins.	Value in Pesos.	Fineness.	Weight of Each Coin.	
				Legal.	Fine.
				Grams.	Grams.
Gold	Condor	10.00	0.900	15.2530	13.72770
	Doblon	5.00		7.6265	6.86385
	Escudo	2.00		3.0506	2.74554
	Peso	1.00		25.0000	22.50000
Silver	Fifty-cent piece .....	.50	0.900	12.5000	11.25000
	Twenty-cent piece .....	.20		5.0000	4.50000
	Ten-cent piece .....	.10		2.5000	2.25000
	Five-cent piece .....	.05		1.2500	1.12500

According to the figures furnished by the Chilean Government there was, from 1859 to 1873, inclusive, presented for coinage at the mint 7,873,608.60 pesos* silver and 13,-765,553 pesos gold.

Although the country is a large producer of silver, and an unimportant producer of gold, during that period an annual average of almost twice as much gold as silver was brought to the mint. On the other hand, during the following five years, from 1874 to 1878, there was presented to the mint 8,444,766.20 pesos of silver and only 398,228 gold. In other words, the coinage of gold practically ceased with startling suddenness, and the mint became overburdened with silver.

This change will be explained by a glance at the market price of silver. In 1851, the year of the passage of the Coinage Act of Chile, the average ratio between silver and gold was 15.46 to 1. In 1873 it was 15.43 to 1. Between these years the fluctuations in the ratio were slight and short, as it never rose to 16 to 1 nor fell to 15 to 1. In 1874 this steady average, which had corresponded to the production of the metals, was broken by the increased production of silver, and during that year the rates averaged about 16.16 to 1; in 1875 it averaged 16.59 to 1; in 1876, 17.80 to 1; in 1877, 17.19 to 1, and in 1878, 17.96 to 1.

Now, the ratio between the two metals established in Chile by the Act of 1851 was 16.39 to 1. Not until during 1874 did the ratio of silver to gold approach closely, and not until 1875 did it pass this figure.

Up to 1875 the silver peso was worth more than the gold peso, and the result was that until 1865 the circulating medium was almost entirely gold, and from 1865 to 1875 gold and bank notes, the entry of which into circulation will be explained later.

The material excess in the value of silver over gold not only caused the exportation of the greater proportion of silver taken from the mint, but also the immediate withdrawal of silver coin from circulation. To such an extent was this the case, that it became necessary by the Act of July 26, 1860, to authorize the coinage of gold pieces of 1 peso to take the place of the silver peso, which disappeared from circulation as soon as issued from the mint.

As soon, however, as the depreciation of silver brought the value of the silver peso below that of the gold peso, gold took the place of silver as the metal for export, and instead of being presented at the mint in greater quantities than silver, there was a natural cessation of the coinage of gold, and a disappearance of gold coin from circulation. Though of course the effect of this depreciation was not felt as soon in Chile as in other countries, where the legal ratio was less, as for example, in France, where the ratio being 15½ to 1, there was, in 1873, deposited in the mint for coinage, 150,000,000 francs' worth of silver against only 5,000,000 francs in 1871 and 1872.

GOLD DRIVEN OUT BY SILVER ABOUT 1874.

In further explanation of the effects of the price of silver upon the circulation and coinage of the two metals under the system of free coinage, I quote at some length extracts from a very able report made in 1876 by the director of the mint, Señor R. Sotomayor, to the Minister of Finance :

* The Spanish word *peso* is used in the report instead of the translation *dollar*, to avoid confusion with the American dollar. The \$, where used, also means peso.

“ The gold and silver bullion bought in the past year, including that left over from 1874 and coin remelted, represent the following values : Gold, 85,433.84 ; silver, 2,151,734.88 pesos. In 1874, gold, 158,426.14 ; silver, 1,477,074.71 pesos.

“ I must here call attention to the rapid decrease in the presentation of gold bullion to the mint during the last three years. This results from causes which must have a powerful influence on our monetary situation, and which must produce alterations in trade that may not be transitory.

“ Below is the amount of gold bullion obtained by the mint for its labors in the last four years :

Year.	Amount.	Decrease.
	<i>Pesos.</i>	<i>Pesos.</i>
1872.....	2,458,998.94	.....
1873.....	1,520,429.04	938,569.90
1874.....	158,426.14	1,362,002.90
1875.....	85,433.84	72,992.80

“ The amount of gold introduced into the mint during 1872 and 1873 must be regarded as exceptional, because the first of these years was noted for our commercial prosperity throughout the whole country, and, in return for exports of national products, large sums of foreign gold coin were imported ; and in the next year, there figures a million pesos from the loan made in London of that year. The average, however, of the purchase of gold by the mint in normal periods may be reckoned at 500,000 pesos a year—a sum scarcely sufficient for the interests of commerce by land with Argentina. In the present year, according to data which may serve as a basis for calculation, the introduction of gold will be less than in 1875 ; and if some unforeseen circumstance does not intervene, we must expect that the small annual production of gold will be exported as bullion instead of being brought for sale to the mint, for reasons which I will explain later.

“ The bars of silver, on the contrary, show a value greatly superior to those presented in former years, and to the ordinary requirements of commerce. The introduction of this metal would have much exceeded the producing power of the mint if we had not adopted the measure of fixing periods of six months for payment of the bars, and if, in the month of August, we had not entirely suspended the purchase of silver. The mechanical forces of the mint were scarcely sufficient for coining silver pesos at the rate of 250,000 per month, and the introduction of silver exceeded in some months 500,000 pesos—a circumstance which produced an accumulation of bars to the extent of 1,199,610.23 pesos.

“ The State was, therefore, burdened with interest on this sum, which remained unproductive. If there had not been a temporary suspension in the purchase of silver there would have been an increase of more than 200,000 pesos a month until the motor and the nine machines which are now being erected had been put into operation and an equilibrium established between bullion introduced and coin.

“ The causes of the scanty introduction of gold, as well as the excessive presentation of silver bullion, are well known. In my report of last year I informed you of the alarming fall in the price of silver in the London market, which regulates the commercial world. The price had then fallen to 57½ pence per ounce troy from 60 to 60½ pence, which had been regarded as the normal price. This fall has since taken a course which, to avail myself of an expression used by an eminent writer on the subject, may be regarded as revolutionary. In the first days of the present month the price was 53½, or about 12 per cent. less than its normal price. Nor can we see any limit to this violent depreciation.

“ With the radical change in the price of silver in London, gold in coin or bullion has been sought after for exportation in preference to silver or bills of exchange on Europe.

“ It will be seen from the calculation given below that our gold coin is fated to disappear from our market, being undervalued as a result of our monetary system, unless commerce gives it the premium due.

“ If we take as a basis of the value of silver the ounce troy of 31.100 grams of standard fineness of 0.925, or 28.7675 grams of fine silver at 53½ pence, and as a basis for gold the sovereign with a weight of fine gold of 7.3216 grams of 240 pence, its legal value, our silver peso will have an intrinsic value of 41.83, and the gold pesos 45 pence. This difference is equivalent to 7½ per cent. in favor of the latter, a premium which must be increased by greater facility in its transportation when both coins are regarded as material for export. The value of bills of exchange on Europe had to be modified in proportion to the depreciation of silver.

“ The ordinary quotation of bills of exchange on London has been 44½ pence per peso, and is to-day at 41½ pence. This is equivalent to a fall of more than 7 per cent. in the coin with which the bill is paid, which is at present silver, and is equal, approximately, to the premium on gold, which has now become the metal for settling export balances.

“ The remittances in gold, as has been before said, produce an exchange of 45 pence per peso at sight and those of silver 41.83, less cost of packing, freight, insurance, and commission.

“ The price of bills of exchange will have to be fixed, except in exceptional cases, when modified by excess of imports or exports, on a basis of value resulting from the remittances of silver pesos less the above mentioned expenses; and we can not hope to re-establish the circulation of gold coin at par with silver without a favorable reaction in the price of the latter metal in the London market. * * *

The director goes on to say :

“ The opinion of scientific men is uniform in the belief that the economic situation created by the fall in silver will cause gold finally to prevail as the basis of the monetary system in the majority of nations.

“ In Chile, as you know, the legal ratio between gold and silver coin is, according to the system in force, 1 to 16.39. This ratio formerly favored gold to the extent of more than 1 per cent. in comparison with 1 to 15.5 generally in force in Europe and America, which was nearer to the commercial value of both metals. This was the reason why until 1872 gold coin was relatively very abundant and in little demand for export, and silver was used in settling our balances with Europe. At present matters have undergone a radical change. As a result of the commercial ratio of 1 to 17.623, Chilean gold, which was before favored, has become undervalued in commercial transactions by about 7½ per cent. As I have before stated, we have not had to wait for the result. The abundance of this gold coin has been followed by its almost entire disappearance from our market.

“ The situation which I have just described must produce disturbances in trade. The price of bills of exchange on Europe, of merchandise imported, of national products, and even wages, being regulated by depreciated silver coin, will in course of time have to suffer further fluctuations until there is established a proper balance and a return to the normal situation.”

In his report of 1878, the same director, referring to his report of 1876, quoted above, says :

“ The depreciation of silver in the principal markets of the world continues, and as a consequence of the frequent fluctuation in the ratio of value between gold and silver coin, which fix circulation and international exchanges, our gold coin has been withdrawn from circulation, and the small amount issued by the mint is immediately sold for export by the owners at a premium of from 4 to 10 per cent., according to the price of good drafts on London.”

Thus, although the monetary system of Chile was theoretically bimetallic, the system really in force was monometallic, the medium of exchange being the cheaper of the two metals. As long as the market price of silver made this metal of more value than gold, at the ratio of 16.39 to one, there was no silver in circulation, and the country was on a monometallic gold basis. As soon as silver depreciated but a few points below the above ratio gold vanished from circulation, and the country fell to a monometallic silver basis.

As the decline from silver monometallism to inconvertible paper was largely due to the action of the banks, it becomes necessary to examine the constitution and methods of these institutions which have played an important part in the financial history of the country.

CHILEAN BANK ISSUES.

Banks of issue were authorized by the Act of July 23, 1860. By this act the capital of the bank must consist of money which is legal tender in the country, bars of gold or silver, or notes signed by persons who are known to be solvent, and payable in six months. The bank is authorized to issue notes payable at sight and to bearer to an amount equal to 150 per cent of its paid-up capital. These notes are of the denominations of 20, 50, 100 and 500 pesos, and are payable either in gold or silver coin. No provision was made by the law for the redemption of these notes, nor was there any provision regarding the amount of cash reserve or for the accumulation of a surplus; nor, with the exception that the bank could make no loans upon its own stock, was there any restriction on the amount of loans, or any provision regarding the security for the same. The result was that profits, which under the banking systems of other countries would go to the accumulation of a surplus or to making some provision for the redemption of notes, were expended in the dividends to the stockholders. Within the first half of every month the directors of the bank were required to make a statement to the minister of finance of the bank's condition at the end of the previous month.

Despite the careless liberality of the above law toward the banks in the matter of the issue of notes, allowing, as it did, an issue of 150 per cent. of the bank's capital, and requiring no provision for their redemption, bank bills did not enter into circulation to any extent until 1865, the year of the breaking out of the war with Spain. Until that year the circulating medium of the country was gold, silver, as was shown above, being retired from circulation as soon as coined and the banks not having succeeded in securing the acceptance of their paper by the public. The circulation of bank bills was also undoubtedly impeded by the fact that the Act of July 23, 1860, did not provide for notes of smaller denomination than 20 pesos.

TEMPORARY INCONVERTIBILITY DURING THE WAR WITH SPAIN.

In view, however, of the conflict with Spain and the financial difficulties arising therefrom, in the latter part 1865, four banks of Chile were authorized to issue inconvertible notes to the amount of their loans to the Government. The circulation of the bills was also much facilitated by the repeal of the article of the banking act of June 23, 1860, which restricted the issue of the notes to the denomination of 20 pesos and upward. Notes from 1 peso upward were now authorized. These notes, however, cannot be regarded as absolutely inconvertible paper, as they were received for their face value by the Government, which, in return, required monthly redemption of a certain amount by the banks. This issue of paper was redeemed with more promptness than was required by the law, as the banks began to convert their paper from September 1, 1866. The best proof of the strong financial condition of the country during this period is that in spite of the panic produced by the war the average rate of exchange during that year, 1865, was 45.92, and during the year 1866, 46.32 pence per peso.

QUASI-LEGAL TENDER BANK PAPER DRIVES SILVER FROM CIRCULATION.

The years 1874 and 1875 may be regarded as transitory in the monetary system of the country. Gold had taken the place of silver as the metal for export, and silver the place of gold as the circulating metal at home.

The prompt redemption of the bank notes issued during the war with Spain had increased public confidence in these notes. The issue of bills of small denomination and substitution of silver as the coin of the country greatly facilitated their use as money. The inconvenience of handling silver created an artificial demand for bills. The silver peso began to be dislodged by bank notes, which were unsuspectingly received by the public and absorbed into circulation.

On December 31, 1869, the published statement of the banks showed the amount of notes in circulation to be 4,635,360 pesos, and this amount continued increasing until, in 1874, the bank notes in circulation exceeded 7,000,000 pesos.

In 1878, the Government being in need of funds to meet deficits, the President was authorized for the term of one year to issue 9 per cent. treasury notes for the purpose of raising 3,000,000 pesos. In order to accomplish the taking up of this loan, by an act dated June 27, 1878, a contract was made with the banks making their notes receivable in Government offices to the extent of four times the amount of the above loan taken up by each.

Six incorporated banks and three private banks took up 2,525,000 pesos of this loan, thus making their issues receivable by the Government to the amount of 10,000,000 pesos.

By article 6 of the above act the banks were to deposit, as security with the Government, treasury notes to the extent of 25 per cent. of their issue within the above limit. The amount of bills that each of the contracting banks had in circulation did not reach the amount which by the act obtained the privilege of being received in all the Government offices in payment of taxes and other dues.

The enactment of the above law gave the final blow to the circulation of silver. As the bank bills were received by the Government offices and performed all the functions of coin, there was no object in using the metal, which, consequently, entirely disappeared from circulation.

CRITICAL CONDITION OF THE BANKS.

The flight of gold from the country and the haste of silver to follow in its footsteps did not instill prudence into the management of the banks, either regarding the amount of their issue or the accumulation of a reserve for its redemption. They had, however, been very successful in the earning of dividends. From 1872 to 1878 the bank of Chile had distributed to its stockholders 123 per cent. in dividends, or more than 20 per cent. a year. In the year 1872 it distributed 24 per cent., and in 1873 another dividend of 22 per cent. In 1875 it distributed a dividend of 20 per cent. The majority of the other banks also paid large dividends.*

The statement of the condition of the banks on June 30, 1878, was as follows :

General Summary of Bank Balances on June 30, 1878.

Banks.	Paid up capital.	Reserve fund.	Deposits.	Notes in circulation.	Acceptances and pending operations.	Bullion and coin.	Investments and loans.
	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>
Valparaiso.....	6,150,000	500,000	7,385,886	2,355,246	123,643	656,971	13,703,000
Chile	4,000,000	500,000	15,060,825	2,509,325	721,368	911,525	18,776,000
Alliance.....	1,000,000	36,533	879,740	1,159,132	105,285	102,558	2,976,000
Concepcion.....	400,000	37,073	893,823	301,181	25,285	92,211	1,526,000
Consolidated	1,500,000	50,000	2,451,763	358,802	226,289	250,792	2,876,000
Mobilier.....	1,125,000	50,897	650,537	92,951	.....	23,768	1,525,000
Agricultural.....	1,800,000	157,320	485,404	205,716	29,036	43,821	2,423,000
Union.....	182,588	3,502	93,276	46,247	30,621	27,972	288,000
Total.....	16,157,588	1,311,325	27,904,237	7,028,600	1,261,518	2,112,618	44,063,000

* Senator Agustin Ross. El Problema Financiero, p. 22.

It will be seen that the banks had on hand only 2,122,618 pesos in coin to meet 7,028,600 pesos of notes in circulation, and 27,904,267 pesos of deposits. The Bank of Chile, the principal bank of the country, had only 914,525 pesos in coin to meet 2,509,325 pesos of notes and 15,060,835 pesos of deposits.

By the commercial code all stockholders in a joint-stock company are indirectly liable for claims against the company to the extent of their unpaid subscription. It was feared that the banks might be compelled to call upon their stockholders to enable them to meet their obligations.* As will be seen by comparing the proportion of paid-up capital and of coin on hand to liabilities, the principal bank of the country, the Bank of Chile, had a paid-up capital which amounted to only 24.6 per cent. of its liabilities and coin on hand amounting to only 4.9 per cent. of its liabilities. The Government also had a current account with this bank, was indebted to it for about 3,000,000 pesos, and was drawing further drafts upon it. The bank informed the Government that it could not meet these drafts, and that unless some measure of relief was given it would be forced to close its doors. At its solicitation, and from fear of a panic that would involve other banks, on the night of July 22, 1878, the House of Deputies was summoned to an extraordinary session, according to the statement of its president, "on account of grave and urgent matters."

BANK ISSUES MADE INCONVERTIBLE PAPER BY LAW.

In secret session a communication from the Senate was read transmitting a bill which established the inconvertibility of the bank notes until August 31, 1879.

After a stormy session, which terminated at 4 o'clock in the morning, in which it was explained that the bill had been presented by agreement with a certain banking institution, a law was enacted by a vote of 46 to 9, and promulgated by 10 o'clock on the following morning, the principal provisions of which were as follows :

(1) The amount of the issues receivable by the Government officials was limited to 10,100,000 pesos, the sum fixed by the Act of June 27, 1878.

(2) The banks must deposit it in the Government offices obligations of the State or mortgage bonds, as a preferred guaranty, in favor of the holders of their notes over general creditors. Fifty per cent. of this deposit must be made within fifteen days, 25 per cent. within two months and a half, and the remaining 25 per cent. within four months.

(3) The banks must pay to the treasury monthly interest at the rate of 4 per cent. a year on the amount of their circulation.

In return, the State guaranteed that the bank notes would be redeemed in specie on August 31, 1879.

In view of the haste in which the above law was enacted, it was elaborated by the Act of September 6 of the same year. This act increased the amount of inconvertible paper which could be issued by the banks to 15,010,000 pesos, and distributed this sum in the following proportions :

Banks.	Inconvertible emission.	Banks.	Inconvertible emission.
	<i>Pesos.</i>		<i>Pesos.</i>
National Bank of Chile.....	4,400,000	Concepcion.....	500,000
Valparaiso.....	4,000,000	Mobilier.....	400,000
A. Edwards & Co.....	2,160,000	Union.....	300,000
Consolidated.....	1,000,000	Ossa.....	250,000
D. Matte & Co.....	800,000		
Alliance.....	600,000	Total.....	15,010,000
Agricultural.....	600,000		

According to the provisions of this act, the notes issued must be registered in the mint, and must bear the inscription "Guaranteed and inconvertible by law." The banks were obliged to keep on deposit coin, bullion, Government obligations, or notes of the mortgage banks † to the amount of their inconvertible issue ; and these inconvertible notes were to be retired from circulation at the rate of 5 per cent. per month, beginning June 30, 1879. The guarantee for the issue, consisting of bonds or other obligations, must be replaced by gold or silver, coin or bullion, at the rate of 4 per cent. a month. The Government guaranteed the return to specie payments by the banks on May 1, 1880. The whole circulation of the banks, convertible and inconvertible, taken together, could not exceed the amount fixed by the Banking Act of July 23, 1860, that is 150 per cent. of the paid-up capital of the banks.

* R. E. Santelices, Los Bancos Chilenos, p. 194.

† These banks, which are an imitation of the French banques hypothécaires, were established in Chile by the Act of August 29, 1855. They lend money upon real estate in return for certain annual payments : First, not exceeding 8 per cent. for interest ; second, not less than 1 nor more than 2 per cent. for a sinking fund ; third, not more than one-half per cent. for a reserve fund and expenses.

The loan is given by the banks in the form of notes of credit (letras de credito) the payment of which is guaranteed by the bank. These notes are drawn by lot every six months, or oftener if the bank decides, to the amount of the sinking fund which the bank has for the purpose. They belong to different series, according to the interest they bear, which is either 5, 6, 7, or 8 per cent. per annum. They are made out payable to bearer or to order, according to the wishes of the borrower, are negotiable, and are quoted daily in the open market.

From the bank statement published on June 30, 1878, and already given, the paid-up capital of the banks amounted to 16,157,588 pesos, so that the banks were enabled to issue 28,736,382 pesos, of which 15,010,000 pesos was inconvertible paper.

On July 30, 1878, as seen from the bank statement of that date, the issue only reached 8,349,089 pesos, from which there should be deducted a sum not less than 2,000,000 pesos, entered in the statement of that date, as notes of the other banks. The 15,010,000 pesos of inconvertible paper, allowed by the law of September 6, 1878, seems to be out of proportion with the quantity of notes in circulation up to this time. The clause of the act of September 6, 1878, providing that the inconvertibility of the bank paper should cease on May 1, 1880, became entirely inoperative by the breaking out of the war with Peru and Bolivia. Instead of there being any prospect of the redemption of bank notes, the Government now began to issue a paper currency of its own.

GOVERNMENT PAPER ISSUES.

DURING THE WAR WITH PERU AND BOLIVIA.

War was declared against Peru and Bolivia on April 5, 1879, and by an act of Congress of the 10th of the same month the President was authorized to issue directly or through the banks 6,000,000 pesos in notes.

A satisfactory agreement not having been made with the banks, it was decided that the Government should issue its own paper. As there were no facilities for engraving bills of suitable denomination, treasury notes of 1,000 pesos, running for five years, were provisionally made legal tender for the above amount. By an act of August 26, of the same year, there was authorized a further issue of treasury notes of 6,000,000 pesos.

As a result of these measures, and of the commercial crisis produced by the war, exchange on Europe fell to an extent that threatened to make the subsidiary silver coinage disappear from the country, and in order to prevent this, the fineness of the subsidiary silver, by an act of June 13, 1879, was reduced from nine-tenths to five-tenths.

In October, 1879, exchange reached $24\frac{1}{2}$ pence, and it was feared that even the debased silver coinage would be withdrawn from the country. The Government therefore ordered from the United States a number of bills of 20 and 50 cents, to form a fractional paper currency. In consequence, however, of the capture of the Peruvian monitor "Huascar," and other successes of the Chilean army, exchange rose, and it was not found necessary to use these bills.

By the acts of January 10, 1880, and August 19, 1880, respectively, there were further issues of 4,000,000 and 12,000,000 pesos of treasury notes. The latter act also provided that the treasury should receive on deposit the treasury notes issued under these and the previous acts, to the extent of 12,000,000 pesos, in sums of not less than 100 pesos, and for periods of not less than thirty days, and should pay interest at the rate of 5 per cent. per annum.

The summary of the issues is as follows :

Act of—	Pesos.
April 10, 1879.....	6,000,000
August 26, 1879.....	6,000,000
January 10, 1880.....	4,000,000
August 19, 1880.....	12,000,000
Total.....	28,000,000

By a decree of November 12, 1881, all the above treasury notes, which were regarded as a provisional issue, were ordered to be retired from circulation and to be replaced by 28,000,000 pesos of bank notes engraved in the United States. It required four years to complete this substitution.

The new notes were issued in various denominations from 1 peso to 1,000 pesos.

ISSUES BY PRESIDENT BALMACEDA DURING THE REVOLUTION.

Between the close of the war with Peru and Bolivia and the beginning of the civil war between President Balmaceda and the Congress, in January, 1891, the circulation of the Government notes had been reduced from 28,000,000 to about 21,000,000 pesos.*

In consequence of the financial disturbance caused by the breaking out of the civil war there was a withdrawal of deposits, and the condition of the banks again became critical. At the instance and under the influence of the Government, representatives of the three principal banks presented a petition to the President requesting the suspension of the accumulation of silver, and of the retirement of notes from circulation, and the issue of 12,000,000 pesos by the Government and a loan of 15,000,000 pesos to the banks. This petition was granted by a decree of President Balmaceda, dated February 1, 1891.

* In accordance with the Act of March 14, 1887, which provided for an accumulation of silver and the monthly retirement of a certain amount of notes. The provisions of this act will be given later.

On June 15 an issue of 2,000,000 pesos, in notes of 50 cents each, was authorized by Congress. On July 22 the President was further authorized to issue notes for 6,000,000 pesos, convertible for silver pesos, and on July 26 to coin 2,000,000 pesos more in fractional coin of silver of less than two-tenths fineness. Finally, on August 18 Congress authorized an issue of 15,000,000 pesos more of Government notes.

For these paper issues the Government of President Balmaceda used at first the blank Government notes on hand, and after these were exhausted the bank notes in blank, to which were affixed the signatures of Government officials and the seals of the treasury.

In addition to the above operations, by act of Congress dated June 6, 1891, the Balmaceda Government was authorized to consider as Government bills all the bank bills registered at the mint. The treasury was authorized to open an account current with the banks and to draw monthly upon them to the extent of 15 per cent. of their issue. This appropriation of the issue of the banks by the Balmaceda Government, at the time of its defeat, amounted to 8,918,863.68 pesos.

The Junta appointed by the revolutionists, which had established an independent government in the north, with a residence in Iquique, by a decree of March 9, 1891, declared the paper issue of the Balmaceda Government to be illegal ; and this decree was enforced during the war in the zone over which the Congressional party exercised authority.

After the victory of the Congressional party, in August, 1891, the circulation of the country was as follows :

	<i>Pesos.</i>
Paper issue of the Government before the civil war ..	21,087,915 00
Issue of the banks	20,370,431 00
Issue of President Balmaceda during the civil war.....	20,750,358 50
Fractional coins of five-tenths fineness.....	4,609,286 30
Fractional coins of two-tenths fineness	774,353 50
Total	67,592,344 30

Of the above sum of 20,370,431 pesos of notes issued during 1891, there were in the vaults of the different banks, in their Santiago offices, more than 12,000,000 pesos, and, as the circulation of these notes had not been recognized by the victorious party, the directors of the bank addressed a petition to the Government requesting that the notes be received in Government offices. In consequence of this petition, on September 9, 1891, the Junta reversed its decree of March 9, 1891, and ordered the Balmaceda issue of notes to be received by the Government offices.

By the act of February 2, 1892, the President was authorized by Congress to contract a loan to the amount of 21,000,000 pesos by issuing treasury notes for the purpose of canceling the Balmaceda issue as well as the fractional coins issued by the same Government, in accordance with the acts of May 2 and July 5, 1891.

Through fear, however, of a contraction of the circulating medium there was of the Balmaceda issue retired from circulation and destroyed only 1.087,000 pesos, which were in possession of the Government, and 9,500,000 pesos, which were furnished to the Government by the banks in return for treasury notes. Nearly half of the paper issued during the Balmaceda administration, therefore, remained in circulation.

There still remained the debt of 8,918,836.68 pesos to the banks contracted by President Balmaceda in consequence of the appropriation of their issue. By the Act of February 4, 1893, the Government also canceled this obligation, by an issue of treasury notes to the banks.

FLUCTUATION IN EXCHANGE AND DEPRECIATION OF THE PAPER PESO.

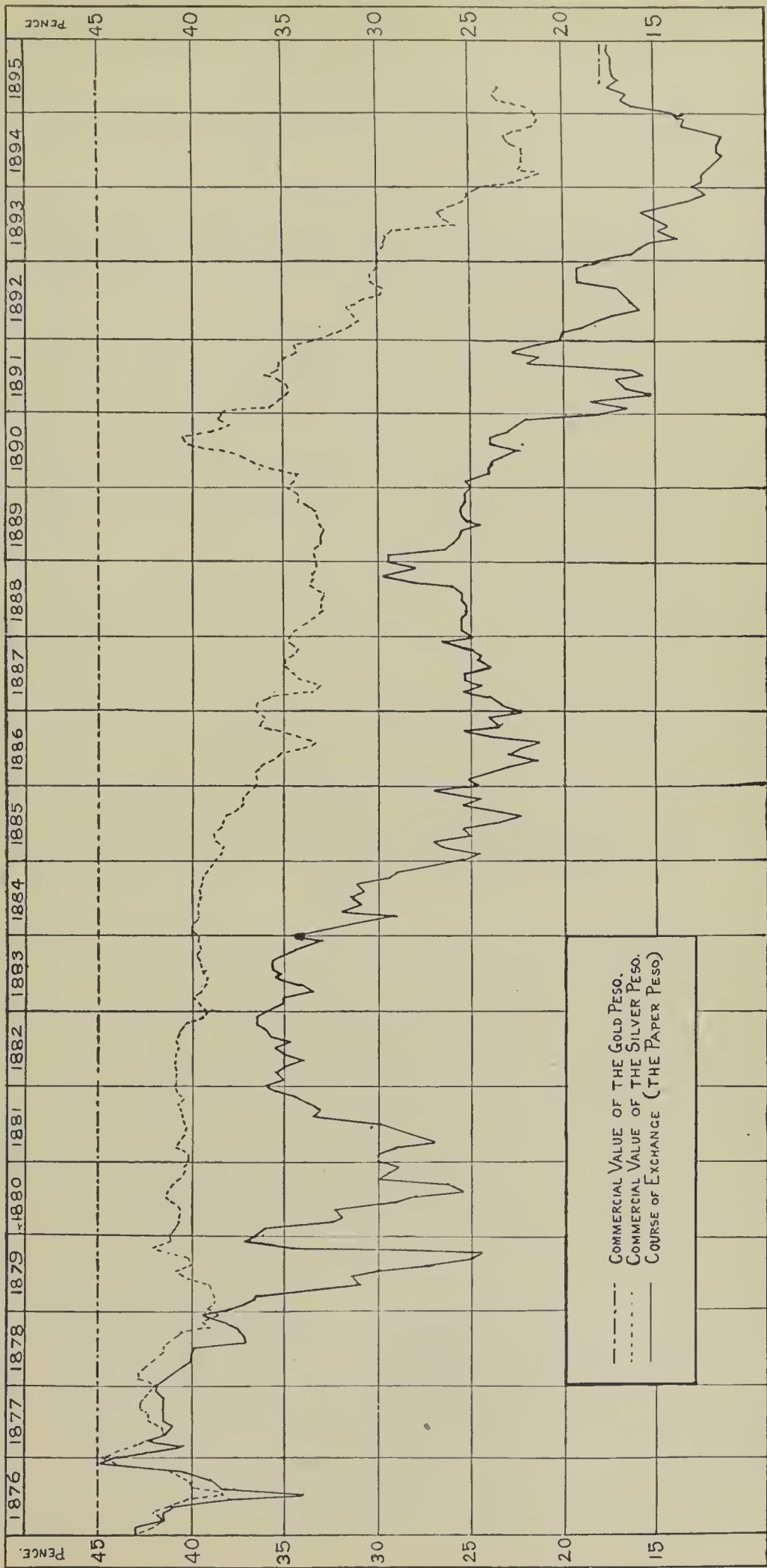
This report is accompanied by a chart on which a broken and a heavy line are marked. The broken line represents, by monthly averages, the fluctuation between 1876 and 1895 of the 25-gram silver peso of nine-tenths fineness. In consequence of the depreciation of silver, this peso, being the cheaper, became the monetary unit of the country instead of the gold peso. It governed the rate of exchange during 1876 and 1877; it was the coin upon which all calculations looking toward the redemption of the Government paper were based, and it continually appears in the discussions regarding the resumption of specie payments.

The heavy line upon the chart represents by monthly averages the fluctuation of exchange between Santiago and London from 1876 to 1895. From 1865 until 1876, the year with which this line begins, the annual average rate of exchange was as follows :

<i>Pence.</i>	<i>Pence.</i>	<i>Pence.</i>
1865..... 45.92	1869..... 46.63	1873..... 44.89
1866..... 46.32	1870..... 45.09	1874..... 44.50
1867..... 45.80	1871..... 45.94	1875..... 43.81
1868..... 46 14	1872..... 46.58	

Taking the intrinsic value of the gold peso at about 45 pence until 1873, when the depreciation of silver began, the rate of exchange was, without exception, higher than the value of the coin in circulation, because the rate was based on the silver peso, which was used for export and which was at that time the more valuable of the two metals. In 1874 the reverse of this took place. Silver fell to 57½ pence per ounce, and in 1875 to 56½ pence. In 1874 exchange averaged about 44½ pence, and in 1875 about 44 pence.

CHART SHOWING FLUCTUATIONS IN EXCHANGE BETWEEN SANTIAGO AND LONDON AND IN THE COMMERCIAL VALUE OF THE CHILEAN SILVER PESO
FROM 1876 TO 1895, INCLUSIVE.



In consequence of the drain of gold during 1874 and 1875, from 1876 until the enactment of the law of July, 1878, making the bank notes inconvertible, the country was on a silver basis. Thenceforth until June, 1895, the monetary system was inconvertible paper. A glance at the line representing the fluctuation of exchange, and consequently, from 1876 to 1878, the gold equivalent of the silver peso, and from 1878 to 1895 the gold equivalent of the paper peso, will show the result of a monetary system where the simplest financial operation and the commonest transaction of everyday life are of the nature of a speculation.

Taking first the two years 1876 and 1877, when the country was on a silver basis, the line of exchange runs closely to the line of the value of the silver peso, making, of course, a deduction for the expenses of exportation, and allowing for its being affected by trade conditions. In January, 1876, exchange and the value of the silver peso both stood at about 43 pence. On June 18, 1876, the value of the silver peso had fallen to 38½ pence, and exchange dropped to 34 pence. The silver peso then rose steadily until at the beginning of 1877 it reached 44½ pence, and exchange followed and overtook it. The silver peso again descended to 41 pence in July, 1878. The line of exchange followed running almost parallel, until in the same month it averaged 40 pence.

To this time the rate of exchange was largely influenced by the value of the silver peso, and the line representing the fluctuation of the former follows the line representing the fluctuation of the latter; but with the enactment of the law of July, 1878, making the bank paper inconvertible, and the issue of Government paper in 1879, new and important factors now affect the course of exchange. The line of the value of the silver peso and the line of the course of exchange now part company, and fluctuate quite independently of each other. We therefore leave the dash line and for the remainder of the period covered by the chart continue to follow the line of exchange, which also represents the fluctuation in the gold value of the paper peso.

After a fall in the month of August, 1878, to about 37 pence, exchange rose in December until it reached 39½ pence. It then steadily descended, and at the time of the occupation of the Bolivian port of Antofagasta in February, 1879, the peso was worth about 37 pence. It continued to fall steadily, and during the month of April, the month of the declaration of war against Peru and Bolivia, it averaged only 33 pence. It continued to fall steadily until the month of October, when it reached 24 pence—a fall which made the Government fear that the fractional silver would disappear from the country, and induced them to order fractional paper currency to be engraved in the United States. With the capture of the Peruvian monitor "Huascar," when the ultimate triumph of the Chileans in the war seemed to be assured, the value of the peso rose steadily and quickly through the months of November and December until in the last month of 1879 it had touched 37 pence. A reaction then took place, and in the year 1880, after a steady decline from January to August, it reached, in the latter month, 25½ pence, then rose to 30 pence in October, and, with slight fluctuations, fell in April, 1881, to 27 pence. It then rose steadily again until in January, 1882, it touched 36 pence, and in December of the same year, with slight fluctuations, it reached 36½ pence—a point it never again attained.

Strangely enough, in spite of the conquest of Bolivia and Peru, and the great addition to the resources of the Government by the annexation of the rich province of Tarapacá, at the close of 1883, the course of the value of the peso, although marked by many fluctuations, was steadily downward. In April, 1884, it had fallen to 29½ pence, and, with slight reaction, continued to fall until in August, 1885, it touched 22½ pence. It then rose until at the end of 1885 it reached 27 pence, and fell again until in August, 1886, it reached 21½ pence. It then took an upward turn until, in the month of November, 1888, it reached 30 pence. From this point the course was again steadily downward until in the month of December, 1890, it averaged 22 pence. With the outbreak of the revolution in 1891, it fell with startling suddenness through January, February and March, until in the month of April of that year it touched 15½ pence. It then took an upward turn, until in the month of May it averaged 17½ pence. There was another slight fall until the triumph of the Congressional party, in August, 1891, drove it swiftly up to 23½ pence, which it averaged in the month of November, 1891.

With the re-establishment of peace, the prospect of returning prosperity, and the expressed determination of the new Government to provide for the resumption of specie payment, it was natural to expect that exchange would continue to rise. Contrary to expectation, however, it fell steadily until, in May, 1892, it touched 16 pence, when it reacted quickly, and averaged 19 pence during the months of October and November. With the beginning of December, 1892, it fell rapidly through the months of December, 1892, and January, February, March, April and May, 1893. In the last month it had fallen as low as 14 pence. The line then took an upward turn with fluctuations until, in September, 1893, the peso averaged 15½ pence, and from that point it steadily fell until in June, 1894, it averaged only 11½ pence, the lowest average the peso has ever reached.

It then rose to 14 pence in the latter part of 1894 and in the beginning of 1895. From this point, under the influence of the public expectation of the prompt resump-

tion of specie payment, at the rate of 18 pence per paper peso, it rose steadily until, on the date of the resumption, on June 1, 1895, it stood at $17\frac{1}{2}$ pence.

CAUSES OF THE DEPRECIATION OF THE PAPER PESO.

It is often said that the Chilean paper peso has depreciated from a peso formerly 48 pence. It must be remembered, however, that exchange in Chile only reached 48 pence in consequence of exchange being fixed by the silver peso of 25 grams, which was more valuable than the gold peso until the depreciation of silver began in 1873. The intrinsic value of the gold peso was only about 45 pence; so that if the paper peso were convertible into gold, its value would not be greater than 45 pence.

With an issue of inconvertible paper by the banks and the Government, we have in circulation simply a promise to pay instead of a coin, and this promise to pay is either in silver or in gold. As the Act of 1851 made the monetary unit either 1.5253 grams of gold nine-tenths fine, or 25 grams of silver nine-tenths fine, it was, of course, assumed, that the paper peso would be ultimately paid in the cheaper of these two coins. This coin, in consequence of the depreciation of silver, was the silver peso.

The monetary unit in which the paper would naturally be redeemed being the silver peso of 25 grams nine-tenths fineness, from the time of the introduction of paper money the bank notes and the Government notes had a nominal value corresponding to the silver and not to the gold peso.

By following the dash line on the chart, representing the fluctuation of the silver peso, it will be seen that the silver peso, which, in July, 1878, when the bank notes were made inconvertible, was equivalent to a promise to pay about 40 pence, and in April, 1879, when the first paper was issued by the Government, was a promise to pay about 39 pence, fell and continued falling, until early in 1895 it was a promise to pay not more than about 21 pence. It is therefore quite natural that in consequence of the decrease in the value of the silver peso the paper peso should have depreciated as low as 24, 23, or 21 pence. But paper is not real money. It merely represents real money, and is but a moral obligation to pay real money at an uncertain date. It goes into circulation handicapped, so to speak, and will usually run lower than the value of the coin it represents. It is therefore natural that the value of the paper peso should have fallen several points below the value of the silver peso, or that it should reach 19 or even 18 pence. It is more difficult to explain why it should have fallen much lower, averaging, as it did in the month of June, 1894, only $11\frac{1}{2}$ pence. Government paper will depreciate as a result of overissue, but there has been no inflation in Chile. The circulation, in round numbers, is 50,000,000 pesos—about 30,000,000 Government notes and 20,000,000 bank notes. With a population of about 3,000,000, this gives 16.66 paper pesos to each of the inhabitants, or, valuing the paper peso at 18 pence, about \$5.84 United States gold—as small a circulation as exists in any civilized country. Nor has there been any lack of resources on the part of the Government, which could have redeemed its notes at any time since the close of the war with Peru and Bolivia.

A number of speeches and pamphlets have been devoted to proving that the depreciation of the paper peso has resulted from an adverse balance of trade. But the most casual investigation of the statistics of imports and exports of Chile demonstrates clearly the hopelessness of efforts to explain this financial phenomenon by referring it to the balance of trade.

The depreciation of the paper peso is probably due to several causes. There has been a lack of confidence, not in the ability but in the intention of the Government to redeem its paper. To quote a statement of an accomplished writer on this subject:

“The Government of Chile, when it promised to redeem in gold or silver its paper issue, without fixing a date for such payment, contracted a moral engagement to pay these obligations as soon as the exceptional circumstances which necessitated the issue had passed and the Government was in possession of the resources necessary. The fact is, that although it has been for some years in possession of these resources, the Government has devoted them to everything except to the accomplishment of its pledged word. The surplus millions were devoted to objects more or less useful or were retained in the mint; but the notes were not paid. As credit is obtained and preserved by the faithful and exact discharge of obligations, confidence in an early resumption has been weakening little by little, and the internal credit of the Government of Chile has been weakening in proportion.” *

When it finally attacked the question of resumption, Congress was unfortunate in its well-meant efforts, and the disappointing results of the Resumption Acts of 1892 and 1893 will be explained in the discussion of this legislation. The Government has also required 25 per cent. of the customs duties to be paid in gold or drafts on London. In other words, it refused to accept in payment of duties its own obligations at their nominal value, and thus discriminated against its own notes.

The above causes may explain the steady depreciation of the peso, but the oscillation by fits and starts in the line of exchange can only be due to speculation. Chile, for several reasons, affords an excellent field for speculation in exchange. The 40,000,000

pesos, the value of the annual exportation of nitrate, are in the hands of a few people. It has been to the interest of exporters to reduce the value of paper in comparison to gold. They are paid in gold, or, in other words, draw upon Europe drafts payable in gold. The lower the value of the paper peso the greater amount they obtain in Chile for their drafts. Importing houses have been in the habit of cornering drafts on Europe for particular mails. It is only by such speculation that variations of one penny or more within twenty-four hours—that is, from 5 to 10 per cent. in the value of the paper peso—can be explained.

INFLUENCE OF CURRENCY DEPRECIATION ON WAGES.

In order to learn whether a rise in wages had corresponded with the depreciation of the paper peso, I have endeavored to secure statistics regarding the rates of wages which have prevailed since the issue of inconvertible paper. I have found it very difficult to obtain full and accurate information. There is no statistical bureau connected with the Government for this purpose. The Society for the Encouragement of Industries has lately obtained an appropriation from the Government, and intends in the future to collect statistics on wages.

In order to secure the best information possible, I addressed a communication to the various consular representatives of the United States in Chile, requesting them to forward me whatever information was procurable regarding the course of wages in their districts. Before giving the information I have obtained, it must be remembered that there is a great difference in wages paid in the north and in the south of the Republic. In the north, where there is a great demand for labor in the nitrate fields, and where there is a sparse population, wages are very much higher than those paid in the south.

Taking first the north of Chile, Mr. David Simpson, United States Vice-Consul in Arica, reports that the wages ruling during 1875–1895 in Tacna are payable in Bolivian currency, and that no change has taken place, although silver has fallen in price; that in Arica the same system ruled (payment in Bolivian currency) until 1889, when the wages were altered to Chilean currency without any increase, both currencies being more or less of the same value. The present wages ruling at this port, according to the statement of the Vice-Consul, are as follows: Laborers, 3 pesos a day; longshoremen, 3 pesos a day; clerks, 50 to 120 pesos a month; servants, 15 to 25 pesos a month.

Dr. J. W. Merriam, United States Consul at Iquique, says:

“In my opinion, rates of wages paid have varied to a certain extent according to the rate of exchange, but not in proportion to the extent of the fluctuations. Employees without doubt have been less favored than day laborers in this respect.”

Mr. C. C. Greene, vice-consul at Antofagasta, gives the following table of the annual average of wages during 1875, 1885, and 1895, in comparison with the annual average value of the paper peso for the same years:

Class.	1875 (43¾ pence).	1885 (26 pence).	1895 (17 pence).
	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>
Mechanics, drivers.	3.00 to 4.50	5.00 to 5.50	4.75 to 6.50
Boilermakers.	3.50 to 4.00	3.00 to 4.00	5.00 to 5.25
Blacksmiths.	3.50 to 4.00	3.50 to 5.00	4.00 to 6.00
Carpenters.	3.00 to 4.00	3.25 to 4.00	4.00 to 5.00
Laborers, including servants.	1.50 to 1.75	1.50 to 1.75	2.25 to 3.00
Firemen.	2.00 to 2.25	2.33 to 2.66	2.83 to 3.33

During the periods given above, Mr. Greene adds:

“There have been violent temporary changes in the rates, but the average has been fairly reached. In many cases houses and rooms have been given and facilities for making overtime. This last has largely increased the earnings of sober, steady men. As a general rule, the conditions of life are so undesirable that the best classes of men are seldom willing to go there.”

During these twenty years the only currency has been the paper dollar or peso and the subsidiary silver of low value, until June last.

With reference to wages in the center of Chile, Mr. James M. Dobbs, United States Consul in Valparaiso, furnishes me with the following:

Class.	1875.	Average for 1885.	1895.
	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>
Ordinary laborers.	0.80	1.00	1.50
Masons.	1.00	1.50	2.00
Carpenters.	2.00	3.00	4.00
Gasfitters.	2.00	3.00	4.00
Painters.	1.50	2.00	3.00

With regard to wages in the South, Mr. William Taylor, Consular Agent in Coronel, reports as follows :

“ In the year 1876 laborers' wages ranged from 60 to 70 cents per day. From that time until the year 1889 a gradual increase has been the result, as their daily pay amounted to an average of 1.75 pesos, with the exception of the harvest time, when men were scarce. At that time of the year they earned about 2 pesos per day. From 1889 until the present wages are more or less the same, and this rate of labor is irrespective of the rise or fall in exchange. The reason laborers' wages increased from 1876 to 1889 was owing to the construction of the Arauco Railway, a distance of 55½ miles, connecting Coronel, in the South, in direct communication with Valparaiso.

“ General or domestic servants have increased in their monthly salaries considerably, say 80 per cent. on wages paid in 1876, which was 5 to 7 pesos per month with food. Men servants, since 1876, have increased but slightly. Their monthly wages then amounted to from 20 to 25 pesos without food. At present it amounts to 25 to 30 pesos, also without food. Shopmen were paid in 1876 from 40 to 70 pesos. At the present day they received from 45 to 80 pesos without food. Railway mechanics receive from 2 to 3 pesos per day. The daily pay of miners at present is 1.25 pesos, and has been for the last five years. Previous to 1873 the average wages were 80 cents a day without food.”

Regarding salaries of Government employees, the Diplomatic Corps is paid in pounds sterling, and is therefore independent of the fluctuations of money at home. By the Act of January, 1889, the salaries of the officials of the provincial governments were materially raised, but the general masses of employees have been compelled to suffer the effects of the depreciation of money without increase of compensation. The salaries of post-office employees, for example, are fixed by the Act of November 9, 1875, when the peso was worth more than 45 pence; and the salaries of the custom-house employees, with slight exceptions, by the Act of January, 1883, when the peso was worth about 36 pence.

The above information is incomplete, but it is sufficient to show that the rise in wages has not corresponded to the depreciation in money. It must also be remembered that in a country like Chile, which is in a state of development, it would be natural to expect an increase of wages in twenty years—from 1875 to 1895—even if there had been no depreciation.

Neither has there been in the actual necessities of life a proportionate increase in the price. In imported articles, however—as importing houses have been in the habit of covering themselves by immediately realizing sales by drafts at current rates—there has been a fluctuation in price almost exactly equivalent to the fluctuations in exchange. The depreciation in money, then, has probably weighed more upon the class of employees, commercial and Government, who are in need of imported articles, than upon the ordinary day laborer who is content with native products.

It may be taken for granted that in Chile, as in all other countries which have had a like financial experience, the consequences of cheap money have weighed most heavily upon the classes that are least able to support the burden.

The injurious effects of the depreciation of paper on the wage-earning classes and upon property holders has been well stated by a writer upon this subject in the following passage :

“ Agriculturists, the owners of certain industries, and speculators have escaped more or less the inclined plane of the depreciation of our money, but the majority of Chileans have reached at this moment an unendurable and precarious situation. Laborers have seen their wages increased, but their habitations, food, and clothing have increased in price in the same or in greater proportion to their wages. Artisans and small tradesmen have seen the cash value of their products diminish in the same manner. To-day they earn 2 pesos, where yesterday they earned 1; but the 2 pesos to-day represent 26 pence, and the former peso was worth 45. The same has happened to all tradesmen and manufacturers who, although they have sold their produce at prices apparently high, have, on the other hand, produced or bought at an exaggerated cost on account of the depreciation of money.

“ The situation has been more serious still for those people who have not been able to indemnify themselves even in part for the losses which they have suffered by the depreciation of paper. All those who at the period of the emission of paper money had capital invested for long periods in mortgages, bank stock, and Government bonds, were the creditors for the gold peso of 45 pence and received interest in the same coin. For these people every penny less in the value of the paper peso has meant a loss of 2½ per cent. of their former capital. When exchange reached 22½ pence they lost 50 per cent., and with exchange at 15 per cent. they only preserved one-third of their former fortunes. And what can I say of public employees who form a class as numerous and as worthy of consideration as the preceding? The State has gone on increasing its income by reason of the natural development of the country and of the very great depreciation of the money in which the employees are paid; but the surplus has been applied with preference to the construction of public

“ works and sustaining a foreign war or a civil struggle which may have been necessary, but which have produced no advantage to these employees.

“ The salaries of the immense majority of the Government officials of every class have remained fixed at the same rate as when they were paid in the happy times of gold. As the money in which they are to day paid is worth less than one-third of what it was then worth, they have been obliged to reduce their necessities in equal proportion; and to-day, with an exchange of 13 pence, it is no exaggeration to say that they are on the verge of starvation. Some speculators profit by the situation; but the day laborer, the artisan, those who exercise the liberal professions, the entire class of public and private employees who live on their incomes or pensions, the holders of mortgages, the owners of bank stock, tradesmen, etc., are to-day in desperate straits owing to the depreciation of their wages, salaries, incomes, and pensions, and the enormous increase in the price of the necessities of life.” *

THE RESUMPTION OF SPECIE PAYMENTS.

PREPARATORY MEASURES.

The question of the resumption of specie payment in Chile did not occupy the attention of leading men or of the Government at a time when the operation could have been made with comparative ease, that is, within a few years subsequent to the war with Bolivia and Peru. The income of the Government had been greatly increased by the tax upon the nitrate exported from the conquered territory; the value of the paper money was not much below par, and the interests in favor of its continuation had not yet had time to attain importance and influence. There is no explanation of the neglect to consider this important question except, perhaps, the want of initiation on the part of the administration in power. Chile has a parliamentary Government, and of course all important legislation is presented to the Chambers by the ministers.

For the first time, in 1885, there was introduced into the budget a small appropriation of 600,000 pesos destined to the withdrawal of a corresponding amount of paper money. The same amount for the same purpose was appropriated in the budget of 1887. None of the paper in circulation, however, was retired, and these two appropriations remained unused.

With the beginning of the administration of President Balmaceda serious consideration began to be given to the question of resumption, and in the year 1887 a bill was presented to the Congress by the Minister of Finance, Señor Agustín Edwards. This bill became a law on March 14 of that year, but was rather for the purpose of preparing the way for resumption than for making any definite provision for a final settlement of the question. The object of the act was to give tone to the paper money by reducing its circulation and by accumulating a fund of silver which would provisionally serve as a guaranty, and could be ultimately used for the redemption of the Government notes. The act therefore provided that, counting from January 1, 1887, there should be incinerated monthly 100,000 pesos of these notes until the issue was reduced to 18,000,000 pesos. During 1887 and 1888, 1,200,000 pesos, and during subsequent years, 1,500,000 pesos were to be devoted annually to the purchase of silver pesos or silver bullion, which was to be deposited in the mint as a guaranty for the Government notes, and could not be used except when the time for their redemption arrived. The act also restricted the amount of notes that a bank could issue to 100 per cent. of its capital instead of the 150 per cent. authorized by the Banking Act of July 23, 1860, and required the banks to furnish a guaranty for 50 per cent. of their paper issue. It also re-established the article of the Act of July 23, 1860, prohibiting the issue of bank notes for a less sum than 20 pesos.

In consequence of the punctual observance of this law, on December 31, 1890, the Government notes in circulation had been reduced to 21,283,916 pesos, and in the vaults of the mint there was stored up silver bullion amounting to 3,841,987 pesos. The further operation of the law was checked by the civil war, which broke out in January, 1891, between President Balmaceda and the Congress. On May 5 of the same year the President was authorized to dispose of the silver bullion accumulated in the mint under the Act of March 14, 1887, and in consequence a portion of the silver equivalent to 1,491,194.46 pesos, of 25 grams nine-tenths fine, was employed as follows:

	<i>Pesos.</i>
Used by the mint for coining the fractional silver coins of two-tenths fineness.....	350,481.95
Sent abroad to pay for a ship purchased in Buenos Ayres by President Balmaceda.....	936,824.51
Used to exchange the so called redeemable notes issued according to the Act of June 15, 1891..	203,888.00
Total.....	1,491,194.46

At the close of the revolution the Government of President Montt, the successor of President Balmaceda, again began to carry out the provisions of the Act of March 14, 1887, for the incineration of paper money and the purchase of silver; but it was soon seen that this law was inadequate for the financial problem to be solved. While it prepared the way to return to specie payment it fixed no definite date for resumption. In consequence of the continued depreciation of silver, the Government was accumulating

* Deputy Maximiliano Ibañez, *La Cuestión Económica*, pp. 73, 74,

a metal the market value of which was diminishing. Further accumulation of silver imposed by this law was, therefore, contrary to the interests of the State.

The Government of President Montt determined to press upon Congress the advantage of legislation more definite and satisfactory than the Act of 1887, but before adopting measures for proceeding directly to specie payment it was necessary to make some arrangement regarding the other part of the floating debt, which had largely accumulated in consequence of the civil war.

For this purpose, by an act of August 8, 1892, Congress authorized the President to make a loan of £1,800,000 sterling, and by virtue of this authorization a loan contract was made in the following October with the house of N. M. Rothschild & Sons, London. In accordance with this contract, bonds were issued through these bankers, at 5 per cent. interest, the price being 95. The net sum produced by the operation was £1,647,000, upon which the Chilean Government drew drafts during 1892. The result of the loan was applied to the clearing off of the current account with the banks of the country, and to the payment of the treasury notes which had been issued in accordance with the Act of February 2, 1892.

Having thus transformed a part of the floating debt into a consolidated debt, there remained to be disposed of the balance of the floating debt, represented by the Government notes in circulation.

DISCUSSION INVOLVED NO SUGGESTION OF A RETURN TO THE FREE COINAGE OF BOTH METALS.

The Government fully recognized the difficulties in the way of a return to a metallic circulation, and the important interests opposed to any legislation for that purpose.

In a speech on June 28, 1892, presenting the financial measures of the Government, Señor Enrique Mac Iver, Minister of Finance, alluded to these difficulties as follows :

" I am fully aware, Mr. President, that the purpose of converting and retiring the " paper money from circulation must excite resistance. Beneath the rule of this fatal " régime there are born interests more or less considerable, and at times very worthy of " attention. They create parties that are even powerful like the party of the Green- " backers of the United States. In any society where a hundred men can be found " ready to give their lives for their country there will probably not be found 10 willing " to sacrifice their fortune to the common good. Chile can not escape the consequences " of this economic law. Those interests will be represented and will make themselves " heard in the country in a form more or less energetic and effective. They will not " inaugurate a party ; they will not raise an economic banner ; they will not attack our " purpose of returning to specie payment ; but they will retard, disturb, and hamper " the solution of the monetary problem."

Chile has large interests in silver and is but a small producer of gold. Until the establishment of paper money, in 1878, the system of free coinage of silver and gold at a fixed ratio had always prevailed. It was to be supposed, therefore, that during the discussion of the resumption of specie payment which occupied a great part of the attention of the House and Senate in ordinary and extraordinary sessions from June, 1892, until February, 1895, there would have been some suggestion in the shape of a bill or an amendment looking toward the return to the bimetallic system. But the experience of the country while free coinage was in force, which has already been described, seems to have warned the Chilean Congress against reverting to the double standard ; nor was there any proposition for the adoption of silver as the single standard, which may be accounted for by the recollection of the loss which the Government had sustained in the silver accumulated under the Act of 1887. Whatever the reason may be, during the long debates in which many of the speeches show great knowledge and extensive study of finance, not only was there no proposition brought forth providing for a return to the system of free coinage of both metals or for the introduction of silver as a single standard, but the advantage of any action of this kind was not even discussed. There was only one speech, that of Señor Gonzalez Errazuriz, in the session of the House on August 25, 1892, in which the question of the relative claims of gold and silver was considered at some length. As the matter is of some interest, I give the following extract, which describes the result of the bimetallic system in Chile :

" Bimetallism, that is to say, the system which attributes to gold money and silver " money equal power of payment, whatever the amount of the debt, is a system which " has been condemned by experience, and, among us, has given most fatal results. We " must remember, in fact, that the law of 1851, which is in force to this day, gave equal " power in the payment of debts to both the gold and silver peso, fixing the value of " both at about 45 pence English money. While this law was in force we had a rise in " the value of silver which resulted in the exportation of the silver coin and thereby " enormously impeded small transactions. We then had a fall in the price of silver to " such a considerable extent that it resulted in the complete disappearance of the gold " coin.

" And this is what must always happen. Under a law fixing an equal value for a " gold and silver coin, commerce, which cannot be chained down by any law, destroys

“ this equality, and, in consequence, the coin of greater value ceases to be a coin in order to be converted into merchandise of easy exportation.

“ This is what has happened to us. While the law fixed the value of our silver pesos at 45 pence, silver kept falling in the markets of the world to such an extent that in 1877 our peso was worth 38 pence. In that year there did not remain in circulation a single gold coin, for gold in the country was sold at a premium—that is, it became merchandise.

“ Whatever restriction the law places upon the export of the more valuable coin or upon the coinage of the less valuable, economic laws must be executed, leaving only the cheaper coin in the countries where the bimetallic system is in force.

“ For these phenomena to occur it is not necessary that there should be a period of crisis. These phenomena occur naturally at the moment the equality of the value of the two coins is destroyed; and as soon as this equality is destroyed, there results a monetary crisis which is the more intense the greater the fall in value of the metal that remains, and the greater the amount which was in circulation of the metal which goes.

“ Countries under the system of bimetalism, therefore, are doomed, except under very exceptional circumstances, to lose one of their coins, and to suffer monetary crises in consequence of that loss.

“ We must, therefore, decide at once, now that we are about to enact a coinage law, which is the metal that suits us most.

“ There are powerful arguments in favor of silver.

“ We are a country which produces silver in abundance, while we only produce gold in very small quantities. The neighboring countries likewise produce enormous quantities of silver, and the industries based upon this metal help our own industries. We owe to silver a great part of our prosperity, and we expect still more from it. It may, therefore, be said that we ought to tone it, give it value, make it our money. But in spite of all this, this system does not suit us. Silver coinage corresponds to another stage of civilization, to restricted necessities of trade—a condition which, happily, is no longer ours. Transactions are impossible in a coin in which 1,000 pesos weigh 25 kilograms. The adoption of silver money would conduct us inevitably to the admission of bank notes in the custom-houses, Government offices, and wherever there is movement of funds of any importance. It would not be possible to receive import duties in cart loads. Nor would it be advisable to contract for carts to carry to the President of the Republic his monthly salary.

“ Paper money has a great advantage. It is the most economic money which can be imagined. In spite of this, we are banishing paper money because it does not possess one of the essential qualities of money—stability. Silver has varied in value as much as paper money, and in these last six months still more. The law of 1851 gave to our silver peso a value equivalent to 45 pence, but the value of the silver peso, which had risen to 51 pence at the time of the discovery of gold in California, fell afterward to no more than 38 pence at the time of the enactment of the paper-money law. When in the month of June of this year the minister of finance explained in this house the financial proposals of the Government, the silver peso was not worth more than 32 pence. To-day it is not worth more than 28 pence. In two months our old silver dollar fell 4 pence. * * * It is impossible, then, for us, however much we may regret it, to adopt silver except as a subsidiary coinage, as established by the bill of the committee of finance. We must agree to adopt the system of gold coinage.”

On the same subject I give an extract from an article by Señor Z. Rodriguez, professor of political economy in the University of Chile and superintendent of customs, who is regarded as one of the best authorities in finance in the country:

“ Should Chile, a country which is a producer of silver, lay aside every other consideration and adopt a measure of value and an instrument of exchange which is inadequate and imperfect? If it were a question of choosing between two monetary systems equally useful, acceptable and adequate, one of which has gold for a basis and the other silver, Chile, as a producer of silver, should decide in favor of that metal. Although, in comparison with the total production of silver, which is rapidly increasing, the part played by Chile is relatively insignificant, and although the adoption of the single standard of silver, or the double standard, would mean but a slight increase in the use of the white metal, and consequently in its value, it would be just and rational to take into account this advantage in order to make us lean to the side of the double standard or the single standard of silver.

“ But if this is not the case, if it can be demonstrated that the system of the double standard is prejudicial or impracticable, and that silver is inadequate to serve as a common measure of value and little fitted for the fabrication of those instruments of exchange which are called coins, we must then lay aside, as a secondary consideration, the circumstance that Chile is a producer of silver, in order that we may adopt a monetary system which will answer its purpose, which will not place us in a situation of inferiority in our transactions with foreign countries, and which, for business at home, will provide us with the most suitable instrument of exchange from the point of view of stability of value and facility in use.

"The supporters of the double standard, or of the single standard of silver, would not, in fact, argue that because a country is a producer of a raw material it is a reason why it should employ it foolishly in the manufacture of all the instruments, utensils, and other objects which the country needs for its use. Although we are producers of wool and hides, no one would argue that this is a sufficient reason for inducing us to substitute wool for cotton in clothing, in which the use of cotton is more convenient, more healthy, or more economical, or for using skins instead of cloth; nor would any one seriously contemplate the advantage of abandoning plows, or tools of iron and steel which we do not produce, in order to make them of copper, because Chile is one of the great producers of the latter metal. And why? Because, in the selection of machines, tools, etc., the first quality they must have, without which all others are useless, is that they should answer their purpose. From necessity, and not to effect a rise in the price of copper, our colonial ancestors employed that metal in the manufacture of plows, nails, and utensils, which they afterward abandoned to use those which we now use made of foreign material, but more suitable for their purpose.

"The case of silver is precisely the same. If it is one of the indispensable wheels in every monetary system, it is lacking in some of the very first qualities for competing with gold in every kind of transaction and as a general measure of value. If the system of the double monetary standard could exist for some years in certain countries without encountering grave difficulties, it was due to the parallelism which existed during that period between the market values of gold and silver.

"Since the parallelism disappeared, that is since 1874, as a result of the gradual fall in the value of silver, the system of the double standard has been shaken to its base, and the emigration of gold from the countries which had adopted that system produced an irresistible movement in favor of the contrary system.

"In two words, given the fall of silver, and the great oscillations in its price day by day, the system of the double standard would only be a disastrous business, if it were possible for the country which adopted it, but it is scientifically an absurdity, and practically an impossibility.

"If, therefore, we cannot have two measures of value, which of the two, gold or silver, will be the more advantageous for us to adopt as the raw material for our coinage? The argument of the supporters of silver has been considered. Although the adoption of silver would not materially increase its use nor produce a sensible rise in its value, their argument ought, nevertheless, to induce us to prefer silver under equal circumstances. But, unfortunately, the circumstances are very different. Gold has in its favor two qualities in which silver is lacking. One of these is of primary importance and the other worthy of attention. The value of gold is much less variable than that of silver, and no one is ignorant that relative stability of value is the first of the qualities we must look for in choosing the marketable product which is to serve as our monetary unit; and the yellow metal, being much more precious than the white, is employed much more easily and conveniently for payments of some consideration.

"Aside from these reasons, there is a practical one which, to a certain extent, places governments—at least, as long as there is no international agreement in favor of bimetallism, a thing which appears impossible—in the necessity of going with the current by adopting the single gold standard. This practical reason is the propriety of avoiding the losses which would result to the country from the unfavorable situation in which it would be placed in relation to international trade by the use of an inferior money, which it would have to receive and with which it could not pay—losses which were unanswerably explained in the International Monetary Congress of 1889. If the nations with which we maintain the most important and frequent relations, such as England, Germany, France and Belgium, use gold coin in their exchange, and if they estimate in gold coin the amounts which we have to pay them, we shall be forced to adopt the same class of money to avoid the losses resulting from the employment of a money of a lower value. To do otherwise would be to impose upon the country a sterile sacrifice in order to obtain a chimerical result.

"To sum up, it appears that at present there is no other monetary system possible for Chile but one based upon the single gold standard, which makes silver money legal tender only to the amount of 20 or 25 pesos, maintains its value by a limited coinage, and leaves for larger quantities the relation between the two metals to be fixed by trade. Such a system is in harmony with the teachings of science, will give stability to our values, a solid basis to our internal and international transactions, and will keep in the country the amount of gold and silver coin indispensable for its business operations."*

OUTLINE OF THE PLAN OF RESUMPTION.

By the Act of September 10, 1892, Congress authorized the making of contracts stipulating for payment in gold or silver. In view of the probable difference in the value of the money in circulation before and after resumption, it seemed prudent to give to business men and the public in general the privilege of selecting a stable measure of value for future engagements.

* Z. Rodriguez, *Estudios Economicos*, pp. 115-117, 119, 120.

In the general plan for the resumption developed by the discussion in Congress there was, as has been stated, entire unanimity regarding the necessity of adopting the gold standard. It was also decided that the final settlement of the Government obligations should be upon the basis of the value in gold of the 25-gram silver peso. This was for the purpose of relieving the country of the charge of repudiation. Under the system of free coinage, as already explained, there were two monetary units—the gold peso of 1.5253 grams and the silver peso of 25 grams. The obligation of the Government was therefore alternative, as it had the right to make the final payment of its paper in either of these coins. It naturally chose the cheaper coin, which had depreciated from about 47 pence in 1873 to about 16 at the time that the question of resumption began to be seriously discussed in 1892. Provision was therefore made for two resumptions—a final resumption in the gold equivalent of the 25-gram silver peso, and a provisional resumption, at a lower rate, for all who wished to present the Government note for redemption at an earlier date.

There was also no divergence of opinion upon the necessity of withdrawing the notes from circulation and destroying them as soon as paid. In the debates in Congress there were many allusions to the United States, and much admiration expressed at the wonderful development of that country; but upon this point the financial policy of the United States was not regarded as suitable for imitation.*

To sum up, although it was necessary to enact several laws before the problem of resumption was successfully solved, the general plan remained unchanged in three important points: (1) The adoption of the gold standard; (2) the final resumption in the equivalent in gold coin of the silver peso, with a provisional resumption at a lower rate; and (3) the withdrawal from circulation and destruction of the Government notes as soon as paid.

The various acts which provided for a return to specie payment were different in detail, but embody the general principles above explained. In view of their importance, as showing the evolution of the question, they will be given in full.

The first result of the deliberation of Congress on the subject was the act of November 26, 1892.

RESUMPTION ACT OF NOVEMBER 26, 1892.

This act replaced the gold and silver coins established by the Act of 1851 by the following, the monetary unit (the gold peso) being equivalent to 24 pence (10 pesos being thus equal to 1 pound sterling):

Metal.	Coins.	Value in Pesos.	Fineness.	Weight of Each Coin.	
				Legal.	Fine.
				<i>Grams.</i>	<i>Grams.</i>
Gold.	Condor.....	20.00	11/12	15.9761	14.64476
	Doblon.....	10.00		7.98805	7.32238
	Escudo.....	5.00		3.99402	3.66119
	Peso.....	1.00	0.835	20.000	.....
Silver.....	Twenty-cent piece.....	.20		4.000	.....
	Ten-cent piece.....	.20		2.000	.....
	Five-cent piece.....	.05		1.000	.....

Of these coins only the gold were full legal tender, and coined at the mints free of charge. The silver was coined only on Government account and was to be legal tender only to the amount of 20 pesos.

The act authorized a loan of £1,200,000 in return for Government bills. The paper money thus received was to be incinerated until the amount destroyed reached the 10,000,000 pesos, and the remainder was to be expended in the purchase of gold or silver for the coinage established by the act. During the first six months of 1894, 3,000,000 pesos of paper was to be incinerated, and the same amount of coin put into circulation if, in the previous six months, exchange did not fall below 23½ pence. Under the same conditions, there was to be an incineration of notes, and coin added to the circulation to the extent of 5,000,000 pesos during the second half year of 1894; and each of the half years of 1895. This was equivalent to a conditional resumption of specie payments at the rate of 24 pence. The final resumption was fixed for December 31, 1895, and was to be based on the actual commercial value of the 25-gram silver peso at that date, while the paper money of the Government was not to be a legal tender after July 1, 1896. The banks

*"The resumption of specie payment to be made in Chile is not like the resumption which was effected in the United States, where the Government bills were declared convertible, but, perhaps on account of an omission in the law, without withdrawing them from circulation. The result of this omission is that the notes of the United States Government are still in circulation to-day. We shall not proceed in this way. We shall proceed to the payment of these bills and the retirement of the Government paper money, in order not to leave the Republic established as a veritable bank of issue."—Speech of Señor Enrique Mac Iver, ex-Minister of Finance, House of Deputies, session of May 22, 1892.

"No one denies that gold is escaping from the United States. But everyone knows that the phenomenon is caused by the wretched monetary legislation of that country, which has compelled the Government to keep in circulation 900,000,000 pesos of various kinds of notes, and to coin besides a useless quantity of depreciated silver money."—Speech of Senator Agustin Ross, Senate, session of May 17, 1895.

were required to keep on hand a gold reserve of at least 20 per cent. of their registered issue until the date of the final resumption. During 1893, 25 per cent. and during 1894 and 1895, 50 per cent. of the customs duties were payable in gold, the pound sterling being valued at 6.31 pesos, or, in other words, the peso at 38 pence. During the first half of 1893 drafts on London would be received instead of gold.

CONTINUED DEPRECIATION OF THE PAPER PESO.

The effect of the passage of the Act of November 26, 1892, entirely disappointed the expectations of its supporters. There seems to have been no public confidence in its successful operation.

In accordance with the provision of article 2 sealed bids in paper money were demanded monthly for £50,000. On January 6, February 6, and March 6, 1893, there were purchased by the public £149,000, as follows: £50,000 purchased in January produced 621,423 pesos; £50,000 purchased in February produced 683,325.50 pesos; £49,000 purchased in March produced 668,164.17 pesos.

In accordance with the provisions of Article 3, the paper money obtained by the first two sales was incinerated.

In the meantime exchange had been rapidly descending. By referring to the accompanying chart it will be found that in the month of November, when the law was enacted, exchange averaged about 19 pence. From the moment that the bill became a law, however, it descended steadily until at the end of April, 1893, it averaged only 14½ pence.

The conditional character of Articles 4, 5 and 6 of the act, which provided that the Government notes should be redeemed only on the condition that exchange did not fall below a certain point, did not tend to inspire confidence. Article 9, which required 25 per cent. of the customs duties and storage dues to be paid in gold or by draft on London, discriminated against the Government paper and had a depressing effect upon exchange. But the serious defect of the law was the monthly withdrawal and destruction of notes, equivalent to £50,000, without replacing them by other money. This caused a contraction of the currency, and the result was that the managers of the banks were summoned to an interview with the President and the Minister of Finance, when it was determined to suspend the incineration of the Government paper until Congress should take action.

It will be remembered that the Government had assumed a debt of 8,918,836.68 pesos to the banks for the appropriation of their notes by the Balmaaceda Government, and had issued to the banks treasury notes for that amount. In order to relieve the stringency produced by the contraction of the currency, Congress, by the Act of May 13, 1893, made these treasury notes negotiable by indorsement to bearer and current in all the Government offices for the payment of taxes and other public charges. By another act of the same date articles 1, 2, 3, 4, 5, 6 and 8 of the Resumption Act of November 26 were repealed. This put a stop to any further sale of bonds and to the withdrawal from circulation of £50,000 worth of paper every month without providing a substitute.

After dealing with the financial crisis by the above legislation, Congress then proceeded to pass another Resumption bill, which was expected to remedy the defects of the Act of November 26, 1892. This was the Act of May 31, 1893.

RESUMPTION ACT OF MAY 31, 1893.

The general features of this act are the same as those of the previous act.

There is the gold standard, the gold peso of 24 pence as the monetary unit, with the provisional resumption in this coin, and the final resumption based on the silver peso of 25 grams.

The provisional resumption is deferred until June 1, 1896, and the final resumption until December 31, 1899. The date when the paper money ceases to be a legal tender is postponed until January 1, 1897. Instead of requiring 50 per cent. of the customs duties to be paid in gold during the years 1894 and 1895, half of this amount is payable in paper money.

The great improvement in this scheme of resumption is that no conditions are now fixed for the resumption of specie payment, and instead of being made by stages, it is to be carried through by a single operation. The postponement, however, of the dates of the final and provisional resumption, which betray the uncertainty felt by Congress itself, depressed public confidence and had an injurious effect upon exchange. There was a slight favorable reaction after the passage of the bill, and exchange rose from the monthly average of 13¾ pence in May to 15½ in the month of September. It then went steadily downward, until it touched its lowest point in July, 1894, when it averaged 11½ pence, and continued with slight oscillations, until October of the same year, when, in view of the improved prospects of the prompt and final settlement of the question, it began steadily to rise.

FAILURE TO PROVIDE FOR THE COMPLETE REDEMPTION OF THE BANK NOTES.

The sketch given in the earlier part of this report shows how intimately connected were the banks of issue with the Government as well as with the commerce and industry of the country. It was the bank paper which at first had been made inconvertible, and

this inconvertible paper had driven silver, the last remnant of a metallic circulation, out of the country.

During the régime of paper money the banks had not, in their business, taken into consideration a probability of a return to specie payment on the part of the Government. They had guaranteed loans in account current with great liberality; they had made investments at long periods; they had paid high dividends; but they had made no provision for a reserve in coin for the final redemption of their notes. The amount of these notes in circulation was about 19,000,000 pesos. As the time for the payment of the Government bills approached, the bank bills being unsecured, the former would naturally in the eyes of the public have a greater value than the latter, and a value which would increase in proportion to the probability of the successful resumption of specie payment by the Government. The result would be a disposition to hoard Government paper, and an effort on the part of depositors to draw from the banks their deposits as much as possible in Government notes, of which there were about 30,000,000 pesos in circulation. This would strain the banks and contract the currency. Supposing the resumption of specie payment to have been carried out under either of the above acts, the banks would either convert their bills for gold or leave them unconverted. In the former case, in order to obtain the necessary resources, they would be compelled to force their creditors, with the consequent necessity of liquidation, paralysis of industry, and of a general financial crisis. In the latter case there would be 19,000,000 pesos of inconvertible bank notes, and without some repeal of the existing banking legislation, the privilege of increasing this circulation.

The omission of any provision in the Acts of November, 1892, and May, 1893, for the complete redemption of bank notes in circulation must, therefore, have had much to do with producing results which were entirely opposite to the views of the legislators. There did undoubtedly follow upon the passage of these acts a contraction of the currency. According to the opinion of some, the hoarding of Government notes which followed was due to the desire of people to hold these notes until the final resumption, and have them redeemed at the value corresponding to 25 grams silver. It scarcely seems possible that there should have been a disposition to lose the interest on money for several years for the purpose of exchanging Government notes for the equivalent of a coin the value of which was continually depreciating. It is much more probable that such hoarding was due to a desire to hold Government notes instead of bank notes at the date of a provisional resumption at 24 pence. There began to prevail a feeling of want of confidence, which made more acute the financial crisis which followed the two Resumption Acts. The return to specie payment was impossible without provision for the simultaneous redemption of the bank notes, and it was only when this was seen, as it was seen later, that the success of the operation became assured.

UNFAVORABLE OUTLOOK FOR RESUMPTION.

In Chile, as in all countries where a system of fiduciary paper has existed, there have sprung up important interests, the representatives of which were not only entirely satisfied with the existing state of affairs but were quite willing for it to continue indefinitely. As the price of labor did not increase in proportion to the depreciation of paper the agricultural property holder, the mine owner, and other large employers of labor, sold their products at higher rates with less cost of production. But in spite of the existence of such interests there has been formed in Chile no political party or faction which has openly declared itself in favor of the continuance of the system as such. There has not even been a public man of prominence, nor a paper of influence to argue, in so many words, in favor of the indefinite postponement of the redemption by the Government of its paper. Public opinion, as indicated by what has been written on a subject that has been agitating the country for years, was divided, not as for or against resumption, but upon the method of its accomplishment.

One class of persons has been in favor of bringing the system to an end at a fixed date. They have demanded the abolition of inconvertible paper, not only on the grounds of expediency, but of honesty. According to them the system was the cause of the withdrawal of investments from the country and an impediment to the introduction of foreign capital into the country; it converted ordinary operations of commerce into a subject of speculation; and while it existed there could be no stability in values and no security for the future. While it favored a certain class of capitalists, it weighed upon the wage-earner—in a word, it weighed upon the mass of the people. Aside from the question of expedience, an issue of inconvertible paper was a forced loan, without interest, to which recourse should only be had by the Government in a great emergency, such as a foreign war. As soon as the country was prosperous and had ample resources to meet its engagements a further postponement was dishonest, and the longer the delay the less the confidence in the final payment and the greater the probability of a further depreciation of the paper money. To this class belonged the President of the Republic, who has thrown all his influence in favor of a prompt resumption of specie payment at a fixed date.

The other class of persons has equally declared itself in favor of the prompt resumption of specie payment, but has been opposed to fixing any date for the operation. The

depreciation, according to them, did not come from any lack of confidence in the ultimate redemption of the Government notes, but from other reasons, principally from the commercial inequality resulting from adverse balances of trade. The resumption of specie payment fixed by law to go into effect on a certain date was artificial, when it should result from natural causes. The paper money had depreciated because the country, not the Government, was poor. The country must grow richer before the resumption could be accomplished. The redemption of the Government notes depended upon the prosperity of the individual rather than upon the responsibility of the nation. Resources should be developed and a permanent condition effected which should cause the country to export more than it imports. Exchange would then rise, and the resumption would take place naturally; otherwise the gold would leave the country as soon as issued from the mint.

Those who for motives of interest would gladly have seen the abolition of the paper circulation indefinitely postponed, instead of openly declaring their views, naturally attached themselves to this second class, whose method amounted to indefinite postponement, requiring, as it did, the Government to wait for its paper to become valuable before redeeming it.

There is no doubt that the position of the class in favor of resumption at a fixed date was weakened and that of their opponents strengthened by the disappointing results of the Acts of 1892 and 1893. In the political campaign which preceded the election of deputies and senators in 1894 the question played an important part. In the previous Congress, which followed the revolution of 1891, the supporters of President Balmaceda, who have since taken the name of Liberal Democrats, were not represented. This party, which reappeared in the elections of 1894, opposed the Resumption Acts to a man, and they were successful in their election far beyond their own expectations and the fears of their opponents.

RESUMPTION RENDERED POSSIBLE BY A COMPROMISE.

At the meeting of Congress on June 1, 1894, the resumption of specie payment in accordance with the provisions of the Acts of November, 1892, and May, 1893, appeared hopeless. Exchange, which in March, the month of election, had averaged 12½ pence, had fallen in June to 11½ pence—the lowest average it ever reached. The peso, in other words, was worth less than half the amount fixed for its redemption by the above acts.

In his speech at the opening of Congress the President of the Republic declared that the Government was ready to accept or even propose the amendment of the Acts of November, 1892, and May, 1893, but that he must declare that any alteration in these acts which meant the abandonment, direct or indirect, of the proposal to abolish paper money would be injurious to the State, and that any modification of the acts which affected either the accumulation of coin or the date fixed for resumption would have such a character.

During the regular session of Congress, which lasted until the end of August, the question was not considered; but the President called an extra session for October 16, and it was understood that it would be settled one way or the other during this extra session. Early in the session the Balmacedists brought forward a bill for the absolute repeal of the Resumption Acts. It was soon found that, unlike the preceding Congress, the opinion of the majority of the members was opposed to the resumption of specie payment on the basis of 24 pence, and it was evident that any law that could be enacted must be the result of a compromise. For that purpose senators and deputies who had been conspicuous in the debates on the question were consulted by the Minister of Finance, and, after a laborious discussion, the following conclusions were reached:

There was entire uniformity of opinion now as before regarding the adoption of gold as a basis of the monetary system, with silver for a subsidiary coinage. It was decided to hasten the date of resumption, and as the Government was already in possession of the amount necessary for carrying the operation to a conclusion, there was no reason for further delay, which would only tend to encourage speculation and prolong the existing condition of uncertainty and alarm. The provisional resumption was therefore fixed for June 1, 1895, and the final resumption for December 31, 1897. To remedy the grave omission in previous legislation, it was determined to give the fiduciary paper of the banks every kind of security in order that it might be kept in circulation together with the coin, and a contraction of the currency, which might cause serious disturbance, be thus avoided. For this purpose the issue of the bank paper was to be limited to 24,000,000 pesos. The banks were to be compelled to guarantee their entire circulation of notes with securities which were approved of by the Government, and were of a character to inspire complete confidence. With such a guaranty the bank notes were to be received in the Government offices in payment of taxes and other public dues, and the Government was to assume the obligation of realizing the guaranty and paying the notes of any bank which suspended payment. The point in the discussion where the greatest divergence of opinion appeared was the rate per peso at which the Government notes should be paid. The Acts of 1892 and 1893 had established that the unit of value should be the gold peso of 24 pence. Since that time exchange had

fallen to less than half that amount, so that the acceptance of this rate, it was argued, would cause great disturbances in the economic situation of the country, as it would double at a stroke the value of existing securities, and would impose a double charge upon the debtor class. On the other hand, it was admitted that interests had grown out of the passage of the preceding acts, and that these interests, based upon the prospect of resumption at 24 pence, should be also regarded. It was therefore decided to submit to Congress and leave to its decision two rates for the payment of the peso—that is, whether the peso should be redeemed at 16 or at 18 pence. It must be remembered that the basis of the final resumption of specie payment in Chile has always been the silver peso of 25 grams. It was estimated that taking the final resumption on December 31, 1897, in the value of this coin, which was, at the time of these discussions, worth not more than 21 pence, and deducting interest for two years, a fair value of the coin to be issued for a provisional resumption would be less than 18 pence.

A bill embodying the above conclusions was presented to the Senate on January 15, 1895. It passed that body on February 4, and was immediately sent to the Deputies, who, by holding day and night sessions, succeeded in coming to the final vote in the session of February 7, 1895.

By a small majority in both houses 18 pence instead of 16 pence was decided upon as the value to be given to the monetary unit.

The bill was signed by the President and become a law on February 11, 1895.

The translation of this important act is as follows :

RESUMPTION ACT OF FEBRUARY 11, 1895.

ARTICLE 1. On June 1, 1895, the State will pay its notes to those who request it in the coin established by this act. These notes shall be incinerated monthly.

ART. 2. From December 31, 1897, the paper money of the State shall be paid on presentation at the offices designated by the President of the Republic with the gold coin created by this act on the basis of the value of the peso of 25 grams silver, nine-tenths fineness, and from that date the Government bills shall be demonetized.

On the same date the obligations of the State contracted prior to this date shall be liquidated, and, for the purposes of this liquidation, the nominal value of such obligation shall be computed in the above-mentioned peso of 25 grams, nine-tenths fineness, and reduced to the coin established by this act, with which the service of such obligations shall be continued.

The payment and liquidation referred to in the two previous paragraphs shall only take place in case the value of the silver peso of 25 grams and nine-tenths fineness shall on the date mentioned have a value greater than 18 pence. Otherwise the provisions of Articles 1 and 16 of this act shall apply.

ART. 3. The President of the Republic is authorized for a period of three years to coin up to 10,000,000 pesos in the silver coin provided for by this act, and to buy the bullion necessary for this purpose.

ART. 4. All the proceeds of the sale of nitrate deposits shall be exclusively devoted to the acquisition and coinage of specie.

ART. 5. The President of the Republic is authorized to discount or negotiate abroad advances upon the unpaid portion of the purchase money of the nitrate deposits.

ART. 6. The banks shall guarantee the total value of their issue by deposits in the mint of gold, Government bills, Government bonds, municipal bonds guaranteed by the State, treasury notes, and the bonds of banks which are exclusively mortgage banks. These securities shall be assessed monthly at the rate fixed by the President of the Republic, and the said guaranty shall be made as follows : Seventy per cent. in the three months following the promulgation of this act, and 30 per cent. remaining in the six subsequent months, at the rate of 5 per cent. per month. An execution shall be issued in case of delay in the deposit of this guaranty. In case of the failure of a bank the State shall realize the guaranty, which shall be regarded as pledge, and shall pay in their entirety the bills of the bank through the public office. The credit proceeding from the bank notes shall, besides, be regarded as a preferred claim above all others filed in the bankruptcy, except the costs and the fee of the liquidator.

ART. 7. The bank bills guaranteed in the form prescribed in the preceding article shall be received in Government offices in payment of taxes, balances, and all public dues until December 31, 1897. The deposits of bank notes made in the Government offices as a result of pending suits, or any other legal proceedings, shall be regarded as a special deposit.

ART. 8. Until the period referred to in the preceding article the total issue of bank notes is limited to 24,000,000 pesos, distributed in proportion to the paid-up capital of the banks.

ART. 9. The banks may use in their issues notes of 20, 50, 100, 500 and 1,000 pesos. After the lapse of a year from the promulgation of this law the present bills of less denomination shall not be accepted in the Government offices, nor may they be kept in circulation.

ART. 10. There shall be three classes of gold coin of the denominations condor, doblon and escudo, of eleven-twelfths fineness. The condor shall weigh 11.98207 grams. The doblon shall weigh 5.99103 grams. The escudo shall weigh 2.99551 grams.

ART. 11. The deviation allowed in the gold coins shall be of 0.002 in the fineness, and in the weight 1 per thousand in the condor, and 2 per thousand in the doblon and escudo ; and by piece 15.966 milligrams in the condor and doblon, and 7.988 milligrams in the escudo.

ART. 12. The condor shall be worth 20 pesos, the doblon 10 pesos and the escudo 5 pesos.

ART. 13. There shall be four classes of silver coin, one of 100 cents called the peso, and the others of 20 cents, 10 cents and of 5 cents, with a fineness of 0.835. The silver peso shall weigh 20 grams, the 20-cent piece 4 grams, the 10-cent piece 2 grams and the 5-cent piece 1 gram.

ART. 14. The deviation allowed in the silver coins shall be 0.004 in the fineness, and in the weight 3 per thousand for the coins of 1 peso, 5 per thousand for the 20-cent piece, 7 per thousand for the 10-cent piece, and 10 per thousand for the 5-cent piece. The deviation allowed in the weight of each coin shall be 60 milligrams per peso, 20 milligrams for the 20-cent piece, 14 milligrams for the 10-cent piece, and 10 milligrams for the 5-cent piece.

ART. 15. On the gold coin there shall be stamped the national coat-of-arms, and on the reverse the bust of the Republic, emblems or mottoes, and the words "Republic of Chile," the value in letters, and the year of the coinage in figures. On the silver coins there shall be stamped a condor, and on the reverse a laurel wreath, and within the wreath the value in letters. There shall likewise be stamped emblems or mottoes, the words "Republic of Chile," the value in letters, and the year of the coinage in full. The President of the Republic shall fix the model of the dies and the diameters of the gold and silver coins.

ART. 16. The monetary unit shall be the twentieth part of a condor, the tenth part of a doblon, and the fifth part of an escudo, which shall be called peso, and shall be received in payment of all obligations except as provided by the Act of September 10, 1892, and article 2 of this act.

ART. 17. No one is obliged to receive more than 50 pesos in silver coin. The mint will exchange for gold coin the silver pesos presented for that purpose. The Government offices will receive silver coin in payment of any amount whatsoever.

ART. 18. The Government will receive, collect and recoin, without charge to the last holder, the coins which may have become defaced in whole or in part, or which may have lost their legal weight as the result of natural use. Coins purposely injured shall cease to be legal tender.

ART. 19. The expenses of coining gold are for account of the Government, and the purchase of silver bullion for the mint shall be made without any discount for these expenses.

ART. 20. The pound sterling legally coined in England or Australia shall be legal tender in Chile, and the value shall be \$13.33½ pesos.

ART. 21. The Government shall coin the gold bullion which it already has or which it may acquire in the future in accordance with the law.

ART. 22. The Acts of November 26, 1892, and May 31, 1893, are hereby repealed. From this repeal are excepted articles 9 of the Act of 1892, and 5, 6 and 8 of the Act of 1893.

The above act makes no change in the silver coinage established by the act of May 31, 1893; but the gold peso is now the equivalent of 18 pence instead of 24 pence. The following is a table of the coins established by this act, which are now in circulation in Chile:

Metal.	Coins.	Value in Pesos.	Fineness.	Weight of Each Coin.		Value in U. S. Gold Coin.
				Legal.	Fine.	
Gold.....	Condor.....	20.00	1½	<i>Grams.</i> 11.98207	<i>Grams.</i> 10.98356	\$7.299
	Doblon.....	10.00		5.99103	5.49178	3.649
	Escudo.....	5.00		2.99551	2.74589	1.824
	Peso.....	1.00		20	16.700	.365*
Silver....	20-cent piece.....	.20	0.835	4	3.340	.073*
	10-cent piece.....	.10		2	1.670	.036*
	5-cent piece.....	.05		1	.835	.018*

What is particularly worthy of attention in this monetary system is that, although silver is a subsidiary coinage, the silver peso closely approaches in value to the gold peso, being worth, at the present market price of silver, in the neighborhood of 17½ pence.

SUPPLEMENTARY LEGISLATION.

REDEMPTION OF BANK NOTES.

The Act of February 11, 1895, made an important step in advance over the two preceding Resumption acts by compelling the banks to guarantee the entire amount of their circulation. This guaranty was promptly deposited by the banks. There was still, however, a distinction between the bank bills and the Government bills, inasmuch as no provision was made in the Act of February 11 for the changing of the bills for gold. The Government, therefore, determined to contract a loan for the purpose of placing the bank bills on precisely the same footing as the Government bills by making them exchangeable for gold in the Government offices.

On April 24 the President, therefore, sent a message to Congress which included the following statements:

In the transition from one monetary system to another, important interests are affected. Unfortunately there is an increase of speculation, as well as anxiety, and a want of confidence which disturbs the regular course of business and produces the unexpected withdrawal of foreign capital invested in bonds, bank deposits, and other securities. From this there results a transitory inequality in international exchange, and the necessity of a loan to equalize it.

When the United States determined to abolish its inconvertible paper, the law-givers understood that without such a measure the withdrawal of paper could not be realized; and, as you know, the Act or Federal Law of January 14, 1875, which provided for the resumption of specie payment, conferred upon the Secretary of the Treasury unlimited authority to procure gold by the issue and sale of bonds of the national debt for whatever amount he regarded necessary to carry out the object of the act.

The bill which I have the honor to submit to your deliberation has the same object in view. It proposes to contract a loan destined to remove the obstacles which may embarrass the execution of the law and strengthen the confidence of the public in the regularity and efficiency of the operations which are to assure this result.

The responsibility which the Act of February has imposed upon the State, with reference to the bank bills, places it in the situation of a veritable surety for those notes; and these bills in their present condition constitute a disturbing element in the operation of resumption.

In order to remove this difficulty, without increasing the responsibility already assumed, it is considered advisable to provide for the payment in gold of the said notes by the State, and for the incineration of those notes which are not redeemed by the bank by which they were issued.

With the above message the President presented to Congress a bill which, with some modifications, became a law on May 28. This act authorized a loan to be negotiated abroad for £2,000,000. With the proceeds of this loan the Government was authorized to redeem in gold the bank bills which should be presented for that purpose to the Government offices until December 31, 1897, and of which there were in circulation almost 20,000,000 pesos.

This act, therefore, placed the bank bills already guaranteed on precisely the same footing as the Government bills in reference to the public. The Government assumed the responsibility of exchanging them for gold, the banks having the right to redeem monthly the bills already exchanged. If the bills were not redeemed by the bank, they

* Calculated on the basis of silver at 67.96 cents per fine ounce. When the commercial value of silver is greater than this, the silver peso (of any of the subsidiary coins) will be more valuable than the gold peso.

were incinerated and the bank to whose issue they belonged was compelled to sign obligations in favor of the Government to redeem them within a certain period by installments, and at a certain rate of interest. The guaranty already deposited by the banks in pursuance of the Act of February 11, 1895, was security for the payment of these obligations.

On May 31, 1895, in accordance with the authority given by the act, a contract was signed between the Chilean Minister in London and the house of N. M. Rothschild & Sons. The terms of the loan were bonds at $4\frac{1}{2}$ per cent. interest and one-half per cent. sinking fund. The price fixed was $93\frac{1}{2}$, and the cash proceeds amounted to £1,825,000. The loan was issued on June 1, with complete success, and was covered more than twenty times by more than 5,000 subscribers.

This act is the last of the resumption legislation.

THE OPERATIONS OF RESUMPTION.

The Resumption Act went promptly into effect on June 1, the Government paying out gold for its bills and for the bank bills.

The amount of the Government and bank bills exchanged from the date of the resumption, June 1, 1895, to January 15, 1896, is as follows:

Exchanged in	Treasury Notes.	Government Bills.	Bank Bills.	Total.
	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>	<i>Pesos.</i>
June	8,062,061.03	6,364,564.00	1,411,539.00	15,838,164.03
July	339,627.25	3,552,654.00	3,621,252.00	7,513,533.25
August	139,854.25	2,121,753.00	3,293,935.00	5,555,542.25
September	23,000.00	1,787,648.50	3,887,640.00	5,698,288.50
October	65,636.05	2,320,576.00	3,947,530.00	6,333,792.05
November	53,800.00	1,902,268.00	4,512,585.00	6,468,653.00
December	25,000.00	1,360,360.00	5,537,905.00	6,923,265.00
January 1 to 15	12,500.00	427,524.00	5,529,175.00	5,669,199.80
Total	8,721,528.58	19,837,347.50	31,441,561.00	60,000,437.00
Less bank bills redeemed by the banks.	.....	.....	24,910,386.00	24,910,386.00
Total	8,721,528.58	19,837,347.50	6,531,175.00	35,090,051.08

COURSE OF EXCHANGE.

The fluctuations of exchange since the date of the resumption on June 1, 1895, will be seen by the following quotations:

Date.	Pence.	Date.	Pence.	Date.	Pence.	Date.	Pence.
June 1	$17\frac{7}{8}$	July 8	$16\frac{1}{2}$	July 24	$17\frac{1}{8}$	Oct. 15	$17\frac{5}{8}$
June 3	$17\frac{1}{8}$	July 9	$16\frac{3}{8}$	July 25	$16\frac{1}{8}$	Oct. 17	$17\frac{1}{8}$
June 4	$17\frac{1}{8}$	July 10	$16\frac{3}{8}$	July 29	$17\frac{1}{8}$	Oct. 23	$17\frac{7}{8}$
June 14	$17\frac{3}{8}$	July 11	$16\frac{1}{8}$	July 31	$17\frac{3}{8}$	Nov. 2	$17\frac{3}{8}$
June 21	$17\frac{3}{8}$	July 12	$17\frac{1}{8}$	Aug. 3	$17\frac{3}{8}$	Nov. 4	$17\frac{1}{8}$
June 24	$17\frac{1}{8}$	July 15	$17\frac{1}{8}$	Aug. 10	$17\frac{1}{8}$	Nov. 13	$17\frac{3}{8}$
June 25	$17\frac{7}{8}$	July 16	$17\frac{1}{8}$	Aug. 12	$17\frac{5}{8}$	Dec. 10	$17\frac{7}{8}$
June 28	$17\frac{3}{8}$	July 18	$17\frac{3}{8}$	Aug. 20	$17\frac{1}{8}$	Dec. 13	$17\frac{1}{8}$
July 3	$17\frac{1}{4}$	July 19	17	Aug. 21	$17\frac{5}{8}$	Dec. 31	$17\frac{1}{8}$
July 5	17	July 20	$17\frac{1}{8}$	Sept. 23	$17\frac{3}{8}$		

Since January 1, 1896, exchange has been steady at about $17\frac{5}{8}$.

It will therefore be observed that fluctuations in exchange, as resumption proceeded, became less and less, and that there is, with slight exception, almost a steady rise.

The amount of gold exported abroad through the port of Valparaiso, the principal port of shipment in the Republic, which represents almost the entire amount shipped from the country, from the date of the resumption until December 31, 1895, was 2,333,735 pesos Chilean gold, and £163,450 sterling—equal to about \$1,650,000.

THE SUCCESS OF THE OPERATION.

It has been necessary to wait some time in order to be able to arrive at some conclusion regarding the results of the resumption. The return of a country to specie payment is a day of reckoning which may cause inconvenience—even suffering—to certain interests. While Chile is no exception to this rule, the gloomy forebodings of the opponents of the operation at a fixed date have not been realized. Exchange has risen, the banks are sound, and the amount of gold exported is not sufficient to excite alarm. Meanwhile the added inducements for the employment of capital are attested by the fact that two foreign banks have established themselves in the country since the resumption. The results thus far warrant the belief that unless some international complications should arise the intelligence and determination shown by the people in the solution of a monetary problem of great difficulty will be rewarded by a revival of business and a period of continuous prosperity.

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Each number contains a **special discussion** of some Sound Currency question.

*Thus whenever the banks, public or private, are charged with the protection of the metallic reserve of the country, they accomplish it with certainty by this sovereign method of raising the money rate. * * * On the contrary, when the state issues the fiduciary currency, as in the United States, it has no real means of protecting the metallic reserve. It cannot raise the discount rate, for it does not discount commercial paper. It is under obligation to pay gold to all who demand it, without any power to regulate or reduce the demand. It is absolutely disarmed. Its sole resource is to secure specie by loans abroad. But as these loans have no effect on the general current of business, their proceeds are soon exhausted and they must be renewed. This incapacity to protect its reserve is the chief reason why a state is not fitted to issue fiduciary money.*

* * * * *

The abandonment of notes or paper money issued by the state, the definite adoption of gold as the sole standard—these are the two necessary conditions on which the United States can secure a financial position as important as that they now hold in agriculture and in industry. On these two conditions they can some day approach and equal Great Britain as a financial power. If, on the contrary, they persist in their system of government paper money and in the “rehabilitation” of silver, their industrial and commercial development alike will be trammelled, and they will undergo marked and permanent experiences of financial weakness.

CONDITIONS FOR AMERICAN COMMERCIAL AND FINANCIAL SUPREMACY.*

PAUL LEROY-BEAULIEU.

	PAGE.
STATE ISSUES OF PAPER MONEY.....	572
A COMMON RESORT IN TIMES OF WAR.....	572
EXPERIENCE OF ENGLAND.....	573
EXPERIENCE OF FRANCE.....	573
EXPERIENCE OF THE UNITED STATES.....	573
WHY A GOVERNMENT SHOULD NOT MAINTAIN A PAPER CURRENCY ...	573
THE SPECIAL RESERVE PROBLEM.....	574
BANKS SOLVE IT BY ADVANCING RATE OF DISCOUNT.....	574
A GOVERNMENT CANNOT ADVANCE RATE OF DISCOUNT... ..	575
BIMETALLISM	575
ADVANTAGES OF GOLD STANDARD....	576
UNITED STATES LACKS A SOLID MONETARY SYSTEM.....	576
REAL CAUSE OF DECLINE IN PRICES.....	577
BIMETALLISM RAPIDLY LOSING GROUND.....	577
EUROPEAN NATIONS THAT HAVE DROPPED SILVER	578
INCREASING PRODUCTION OF GOLD A HARD BLOW TO BIMETALLISTS... ..	579
VALUE OF GOLD LIKELY TO BE NEARLY STABLE.....	580
CONCLUSION	581

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CONDITIONS FOR AMERICAN COMMERCIAL AND FINANCIAL SUPREMACY.

There is much surprise in France and throughout the continent of Europe that a nation so great, so rapidly growing, so richly endowed in character and in material resources as is the American people, should allow its development to be trammelled by frequent and severe crises, and that it should either be unable to discern their causes or lack decision to remove them from its path. The European accustomed to the study of financial phenomena is struck by two facts peculiar, at present, to the United States: On the one hand, the issue of an enormous volume of paper money—redeemable in specie, it is true, by the public Treasury; on the other hand, the hesitation shown by the American people in according legal monetary pre-eminence to gold, and the dreams of bimetallism, national or international, in which they indulge. On these two points—paper money issued by the state, and the question of silver and bimetallism—I am about to submit some observations which the American situation suggests to a sympathetic European observer.

I.—STATE ISSUES OF PAPER MONEY.

That a state involved in a great war should issue—directly, or indirectly, through the agency of a privileged bank or a syndicate of banks—considerable amounts of paper money, and that it should suspend the payment of this paper in specie, is not an unusual phenomenon; it is, in fact, a common practice, and even a necessity which cannot be avoided by a people engaged in a struggle of vital importance. If a great war were again to break out in Europe or elsewhere, we should surely see the belligerents, from the moment war was declared, if not before, make large issues of paper money, directly or indirectly; and these would be not for the operations of commerce, but for those occasioned by the war—the purchase of arms and supplies and the payment of troops; and their only security would be the pledge of the national faith and national good sense.

As early as the close of the eighteenth century, England, during her prolonged conflict with the French Republic, caused advances to be made by the Bank of England in such amounts that specie payments were suspended in 1797. More recently, at the time of the Franco German war in 1870, France did the same. The Bank of France advanced to the Treasury enormous sums, exceeding *F.* 1,500,000,000 (approximately \$300,000,000) and was forced by these loans, and by operations of a special nature locking up its assets, to suspend specie payments under sanction of law.

A COMMON RESORT IN TIMES OF WAR.

Russia, Austria, Italy—all nations that have had great wars to carry on in the course of the present century—have been obliged to create resources for themselves in this way by the issue of paper money directly by the state, or indirectly by a bank or a syndicate of banks. There has been only one exception—Prussia, in her war against Austria in 1866, and in that against France in 1870. This exception was due in part to the fact that Prussia had had the prudence to establish a fund in specie for war purposes—a fund which, though it would be regarded as very modest at the present time, was of considerable magnitude then; and in part also to the fact that the Prussian victories from the beginning of the war permitted her armies to live, in some degree, on the enemy's country, and enabled the Treasury to make loans on normal terms. It is probable, if a great war should now take place between Germany and any other country, that circumstances would not be so favorable to her, and she would be compelled to take immense advances from the Imperial Bank, and, like France, to resort to legal-tender paper money. Thus the United States, in creating resources by means of paper money in the great war of secession, only did what was done by England in her struggles with the French Republic and Empire; by France herself in 1870–71; by Russia, Austria, Italy and other countries; and would be done again in the future by any European power entering upon a struggle on which its destinies might depend.

EXPERIENCE OF ENGLAND.

Resources thus obtained by issues of paper money have, however, been considered by every well-governed European power only as a provisional expedient, to be abandoned as soon as possible. France and England both, during this century at least, possessing and maintaining a solid monetary circulation, have under such circumstances devoted themselves, immediately on the re-establishment of peace, to the suppression of the paper money issued to meet war expenditures. By 1819 there was no trace left of this paper money in England. In that year the Bank of England, which had issued it, regained a completely normal condition. The only notes it had outstanding originated in its discounts and other commercial operations and represented its commercial paper and its specie reserve.

EXPERIENCE OF FRANCE.

After the disastrous war of 1870-71, France regarded it as the most urgent, if not the chief object of its financial policy, absolutely to repay to the Bank of France the advances made to the government during the war, amounting to *F.* 1,500,000,000, or \$300,000,000. One of the greatest services rendered to the country at that time by M. Thiers was the energy with which he insisted that this debt must be paid before all others. Yet it bore interest at only 1 per cent. per annum, and at that time the French government was borrowing at 6 per cent. on bonds in perpetuity. Nevertheless, it was thought, and with reason, that it was far better for the country to discharge this debt at 1 per cent., and to get back to a completely normal monetary circulation. M. Thiers secured an appropriation of *F.* 200,000,000 (\$40,000,000) a year for the redemption of this paper. This policy was followed by his successors, and the *F.* 1,500,000,000 lent to the state by the Bank was repaid in successive annual instalments by the month of March, 1879, eight years after peace was declared. At the present moment not a trace of that fearful conflict remains in the French monetary system.

EXPERIENCE OF THE UNITED STATES.

In the United States, after the war of secession, the point of view taken by England after the peace of 1815, and by France after the peace of 1871, was not adopted. Yet the American paper-money issues—greenbacks—had the same origin as the English and French issues, namely, to secure provisional resources for the Treasury in time of war, when it was difficult, if not impossible, to obtain them immediately and of sufficient amount by public loans. The fact seems to have been overlooked that these greenbacks were a temporary expedient that ought not to be long continued after peace was established. The American Government showed a zeal most praiseworthy in itself, in reducing its bonded debt; but it neglected to redeem its urgent floating debt, as in like circumstances had been done by the English and French Governments. It appears, indeed, that at one time the Government realized that its paper currency ought to be abandoned. If I mistake not, a law of April, 1866, directed its redemption in monthly installments. That was the true financial policy, but it was soon abandoned. The belief obtained that the situation would be sufficiently improved and strengthened by the resumption of specie payments in 1879. This, in my judgment, was a great and vital error, the evil influence of which has been, and is yet, seriously felt in the entire monetary and financial situation of the United States. A government is ill-fitted and ill-equipped to maintain paper money in circulation, even if the paper is redeemable in specie. The redemption alone is in itself a great trouble and a continual embarrassment.

WHY A GOVERNMENT SHOULD NOT MAINTAIN A PAPER CURRENCY.

A fiduciary currency—that is, paper accepted by the public with confidence, representing specie, and payable in specie on demand—must not be a rigid, uniform currency. It ought to be elastic and variable, following the movements of both domestic and foreign trade. The means constantly required to adapt the fiduciary currency of a country to its changing needs are in part personal, in part material, in their nature. By

this I mean, that on the one hand the persons who distribute and direct the fiduciary currency must have special and rare qualities—experience, tact, and nimbleness of mind; and that on the other hand, these persons must possess certain powers and methods for regulating the supply and demand of both the fiduciary currency and metallic money.

Now, it is apparent that the Government and the functionaries who represent the Government, and who must act by fixed and always identical rules, have neither the personal nor material means to keep a fiduciary currency flexible, so that it will now contract, now expand, and combine in harmony with specie, especially gold, and so prevent either an excessive and dangerous exportation of gold or its exaggerated and superfluous accumulation. It is only men used to business and banking from early youth, and interested, moreover, in maintaining affairs in a healthy condition, who can have sufficient experience, insight, and decision to take the required steps at the right time for the increase or reduction of the fiduciary currency according to the actual and always changing needs of the country. An immovable, rigid fiduciary currency is an absurdity. In the calmest years this currency must vary according to seasons and circumstances. Thus in the year 1893—the last for which the report is at hand—the circulation of the Bank of France oscillated between a minimum of *F.* 3,255,000,000 (\$651,000,000) and a maximum of *F.* 3,589,000,000 (\$718,000,000), or a difference of *F.* 334,000,000 (\$67,000,000). In somewhat more disturbed years the differences are much more marked. Thus, in 1891, the minimum of the circulation of the Bank of France was *F.* 2,616,000,000 (\$523,000,000) and the maximum reached *F.* 3,123,000,000 (\$624,000,000), representing a difference between the highest and the lowest points of about *F.* 507,000,000, or \$101,000,000. This capacity to contract or expand can hardly exist in a system of fiduciary currency distributed by the state. It is only professional bankers, constantly mingling in the daily current of the country's business, who can, with competence and tact, acquit themselves of the task of furnishing this substitute for money in the proper proportions, varying as these do from day to day.

THE SPECIE RESERVE PROBLEM.

The inconvenience of state regulation of fiduciary currency is most striking in connection with the maintenance of the specie reserve. This reserve is absolutely indispensable to any country if it is desired that transactions shall have a solid basis, and contracts for a term of some years shall be possible. In most countries, the banks, either public or private, maintain the specie reserve. Obligated to pay their notes in specie on demand, it is their permanent interest that the specie reserve shall not be exhausted. Moreover, they have very effectual means for protecting it. Gold may be required for export to settle debts that have either a commercial or financial source, resulting in the latter case from either public or private loans. Gold must always be furnished for export, otherwise business with other countries will be restricted and at times rendered impossible, and the credit of the country will be impaired. But when gold exports become too extensive, and particularly when they seem caused by a speculative movement, and threaten the metallic reserve of the country, the banks have an excellent means of obviating and removing the evil—an advance in the rate of discount.

BANKS SOLVE IT BY ADVANCING RATE OF DISCOUNT.

There has been and still is much discussion of the means of protecting specie reserves. In reality there is only one way in which good results may be obtained in this direction. To raise the rate from $2\frac{1}{2}$ or 3 per cent. to 4, 5, or even 6 per cent. (in former times it has touched 10 per cent. in England) is the only rapid and adequate way to protect the specie reserve and prevent excessive exports of gold. At the present day, when the bonds uniting nations in financial and economic matters are much closer than formerly, and the organization of international payments is much more flexible and ample, there is no longer any need of a rate so high as 9 or 10 per cent. A few weeks' maintenance of the rate at 6 per cent. usually suffices, at least in Europe. From 1880 to 1895, at the time of the *krach* on the Paris Bourse in 1882, and of the downfall of the Barings in 1890, the Bank of England was forced to advance its rate to

6 per cent. only three times, and the greatest number of consecutive days for which this rate was maintained was 52—from the 30th of December, 1889, to the 20th of February, 1890. On the other hand, the rate of 5 per cent. was reached twelve times in the same period, and was maintained at one time for 127 days consecutively.

An advance in the money rate in order to arrest the outgo of specie, particularly gold, is sure to succeed if the government does not disturb the natural course of operations by artificial measures. Such an advance checks the imports of merchandise, and, on the other hand, stimulates exports. It draws capital from abroad to seek the better returns which are the consequence of this advance. It induces a certain number of the holders of public and other securities to part with them, and influences foreign capitalists to purchase them.

A GOVERNMENT CANNOT ADVANCE THE RATE OF DISCOUNT.

Thus, whenever the banks, public or private, are charged with the protection of the metallic reserve of the country, they accomplish it with certainty by this sovereign method of raising the money rate. In a normal condition of international financial relations, this advance may be moderate, and the country experiences only slight detriment, a light and momentary embarrassment, not to be compared to the shock and the discredit resulting from an outgo of gold the end of which cannot be calculated. On the contrary, when the state issues the fiduciary currency, as in the United States, it has no real means of protecting the metallic reserve. It cannot raise the discount rate, for it does not discount commercial paper. It is under obligation to pay gold to all who demand it, without any power to regulate or reduce the demand. It is absolutely disarmed. Its sole resource is to secure specie by loans abroad. But as these loans have no effect on the general current of business, their proceeds are soon exhausted, and they must be renewed. This incapacity to protect its reserve is the chief reason why a state is not fitted to issue fiduciary money.

Let me add that the great banks of one country can easily negotiate temporary loans from the banks of another country. Thus, at the height of the troubles caused by the failure of the Barings, the Bank of England borrowed £3,000,000 in gold from the Bank of France. This sum was borrowed for a maximum period of six months, on 3 per cent. bonds of the British Government. In France there was some criticism of this operation, but the public generally, and all intelligent people, approved it. The Bank of England benefited by it, and so did the Bank of France, since it received interest for several months on *F.* 75,000,000 that it did not need. It is needless to say that the loan was repaid exactly according to its terms. Previously, in the crisis of 1837–39, the Bank of France had lent *F.* 50,000,000 (£2,000,000) to the Bank of England.

Facilities for protecting the metallic reserve are as completely lacking in the state as they are abundant in the banks. Quite out of the daily current of affairs, and incapable of exercising any direct influence upon them, governments are destitute of any means of checking excessive exports of gold. They can do so only by absolute prohibition, which would cause much worse evils than it could prevent.

It seems to be the opinion of Mr. Cleveland and his Cabinet that the Government of the United States should cease to issue and distribute fiduciary money. It should remit this task to the banks. The transition would be easy in the present state of American credit. The question whether it would be better to create a public bank on the model of the Bank of England and the Bank of France, or to resort to a syndicate of banks complying with certain conditions, would take too much space now to examine. Either solution, however, is practicable.

II.—BIMETALLISM.

The hesitation shown by so rich a country as the United States to adopt the single gold standard and reduce silver to the rank of subordinate or subsidiary coin is most surprising to Europeans. It is true that the United States are among the largest producers of silver. In 1892, according to the Report of the Director of the Mint for 1893 (p. 55), they produced 58,000,000 ounces of this metal, of a "coining value" of

\$74,995,442, and a market value which to-day is less by one-half than the coining value. Compared with other industries, the silver-mining industry of the United States, according to these official figures, is but a trifling affair. Thirty-seven and a half millions of dollars, market value, and double that at coinage value,—what are these sums compared to the immense products of every sort of the United States? Less than one-half per cent. of the total product if we take the market value; less than 1 per cent. even if we take the coinage value. And to give an artificial value to such an insignificant portion of its immense product, the United States would compromise all the rest! That appears manifestly unreasonable.

It is to be noted, moreover, that should the entire civilized world adopt the single gold standard, the production of silver would not be suppressed nor its price reduced much below what it is to-day. When it shall be abandoned to its natural destiny, and there shall be no more talk of international monetary conferences, or of legal measures to “rehabilitate” it, it is probable that silver will settle down to a price that will still make its production remunerative. To-day silver is worth about 30 pence per ounce instead of the 61 pence, which is its fictitious “coining value.” If all civilized nations should adopt the single gold standard, and reduce silver to the position of subsidiary money, its price would probably fix itself between 25 pence and 28 pence per ounce, and, this level once reached, it would be nearly stable. The development of the uses of silver in the arts, its use as money in the extreme Orient and in parts of Africa, will suffice to maintain an important outlet for it.

ADVANTAGES OF THE GOLD STANDARD.

Thus, the interest of the United States as a producer of silver is wholly secondary in comparison with the immense advantage the country would have in the possession of a solid metallic currency resting on the metal adopted by the chief civilized countries, and which, by its great value and small volume, is alone suited to the uses of a rich people.

Placed between Europe and Asia, the United States can aspire to take from England, in the course of the next century, the commercial and financial supremacy heretofore enjoyed by that country. For this triumph it will not suffice to possess, in abundance, coal, iron, cotton, intelligent workmen, and bold and enterprising employers; it will require equally, perhaps indispensably, a monetary system that is definite, rational and unchangeable. It is beyond dispute that the uninterrupted *régime* of the single gold standard in England since the beginning of the century; the certainty that gold can always be procured in London; the security and precision resulting for every bill of exchange on London and for all British engagements—all these conditions flowing from the monetary system of Great Britain have contributed in a marked degree to assure to that country its financial hegemony. At the present moment throughout Europe, and even in France, prudent people try to have a part of their fortune in pounds sterling because it is known that pounds sterling are the only true money, that is to say, money that is not exposed to change by new legal arrangements. It is not known exactly what the dollar will be, or the mark, or even the franc. The whims of legislators may change them in the future, as they have changed them in the past. On the contrary, there is a rooted confidence among men engaged in finance the world over, that the pound sterling will always be a piece of gold of 7 grammes and 988 milligrammes, 916.66 fine, and that England will never commit the blunder of putting gold and silver on the same footing as money. Thus the pound sterling, all the world through, especially when long contracts are to be made, is not only the money *par excellence*; it is the *only* money, and in it alone can be placed almost absolute confidence.

UNITED STATES LACKS A SOLID MONETARY SYSTEM.

If the United States are to attain a commercial, and still more a financial position, equal to that of England, the dollar must be given the qualities of the pound sterling; that is, there must be no sort of doubt that it is a gold dollar, and that never for any reason or under any pretext that which is called a dollar shall be paid in silver. Then

all nations will have the same faith in the dollar that they have in the pound sterling. As the United States have a territory infinitely more vast than that of England, a territory full of the most varied resources and in which capital can find great opportunities of profit, that country will become the chosen land for the capital of the whole world. The old nations, with narrow territory already almost completely in use, such as (besides Great Britain) France, Belgium, Switzerland, and recently Germany,—all these strenuous producers of savings that they no longer know how to employ will direct their overflowing capital toward the United States. All that is lacking is a completely solid monetary system to enable the American people to profit by a large part of the capital accumulated in such enormous quantities by the old nations of Europe.

REAL CAUSE OF DECLINE IN PRICES.

We need not here pause to consider the argument so often advanced—although it has never been demonstrated—that the fall in prices for the last quarter of a century is due to the proscription of silver by the monetary legislation of the principal European nations. The fall in prices had one, or rather two, manifest causes—the considerable increase in the production of most commodities, and the progress in industrial methods and in the application of science to this production. That is the real cause of the decline in prices, and it is chimerical to hope to raise them artificially. On the contrary, efforts must be made to extend markets, by removing obstacles that disturb relations and exchanges between nations, and to prevent combinations extending over long periods. One of these obstacles is the uncertainty in monetary matters kept up by the partisans of what they call the “rehabilitation” of silver. New international monetary conferences may be called together, but it may be safely predicted that after lengthy discussion concerning the fall in the price of silver, and the evils, real or imaginary, that have resulted from it, they will adjourn without reaching any conclusion.

“BIMETALLISM” RAPIDLY LOSING GROUND.

Every reflecting mind must see that the bimetallist agitation has less chance of accomplishing anything to-day than it had four years, or ten or fifteen years ago. In the first place, most of the great countries have accustomed themselves to the single gold standard, established either by law or by practice. For more than twenty years this system has been applied in Germany, and for almost twenty years (since 1876) in France, Belgium, and Switzerland. All these countries are naturally far less disposed to-day than they were at the beginning of the fall in silver to take artificial measures to raise the price of that metal. To-day a fixed ratio between gold and silver, and equality in monetary function between the two metals, is an arrangement long since vanished. It seems an antiquated institution, abandoned for a quarter of a century. Any restoration becomes more difficult with the passage of time. Such is the fate of silver—a dethroned monarch. In 1876, in 1880, in 1885, even in 1890—though far less at the later dates—there were people disposed to maintain it in its former functions, or to restore those functions when they had been only recently lost. But to-day an entire new generation of adults has arisen who never knew silver in complete possession of the functions of money.

The difficulties in the way of the restoration of silver are infinitely greater than they were twenty years, or ten years, or five years since. In 1876 silver had lost only 12 per cent. of the monetary value accorded to it by the Latin Union. To many minds it appeared not impossible to overcome this disparity, and yet at that time there was not among the European powers a single serious advocate of silver. It was the same in 1878 and 1880, when silver had lost 14 to 15 per cent. ; and the same again in 1886 and 1887, when the loss had reached twenty-five per cent. To-day, when it exceeds 50 per cent., the difficulties would be twice, thrice, four times, or ten times greater than at the earlier dates. If no understanding could then be reached, how can any arrangement be possible now?

A third circumstance that must render futile all attempts at an international mone-

tary conference is the failure of the efforts made by the United States through the Bland and Sherman Acts. If the laws of February 28, 1878, and July 14, 1890, despite all the sacrifices imposed on themselves by the American people, succeeded only in increasing the monetary disturbance, it will be understood why European nations have become more and more sceptical as to the influence that international legislation could have in this matter.

There is not a single European country, in a normal financial condition, that attaches the slightest importance to bimetallism. From time to time some Minister utters in Parliament a few equivocal words on the subject, seeking to avoid stripping the bimetallists absolutely of all hope. But America must not be duped by these ambiguous expressions. At bottom, not a country, not a government of Europe has the least wish to make the least change in the established monetary system—that is, in the pre-eminence of gold, and the secondary and circumscribed function of silver. If from time to time the bimetallists obtain some vague Ministerial promises to study the monetary problem, it is due to the habit, common to all European statesmen, of avoiding offending or definitely estranging any group of voters, even one of slight importance.

EUROPEAN NATIONS THAT HAVE DROPPED SILVER IN FAVOR OF GOLD.

Let us briefly consider each of the principal nations of Europe in succession. Germany made remarkable sacrifices, after the war of 1870–1871, to establish the single gold standard. For a long time the opinion of men of affairs in Germany, particularly the merchants of Hamburg, had urged this solution ; but the means to execute it were wanting. Germany was not at that time a rich country. To-day the industrial and commercial development of Germany has become widely extended, and she is not going to lose all the fruits of the reform of 1873. A commission may be named to keep the Agrarians patient—the rustic Prussians who dream that the double standard will raise the price of their products and lighten the burden of their debts ; the Emperor may call for reports on the question. But we may be sure that Germany, justly proud of having established the gold standard, having gone to heavy expense for that object and derived from it large advantages, will not give up the firm monetary situation, the establishment of which was coincident with the restoration of the German Empire and the development of German commerce.

It is the same with Austria-Hungary. That empire also has greatly increased in wealth in late years. She has made the readjustment of her currency on the basis of the single gold standard the chief aim of her financial policy. To this end she has accumulated many millions of francs in gold, and is on the point of completing this great reform. She is not going suddenly to abandon it and fall back into the trammels of the double standard.

I shall say nothing of Russia, with her traditional fondness for withdrawing within herself and avoiding all international engagements. Her financial situation also is much improved. At an early day, especially with the enormous increase in the world's gold product, it will be easy for her, if she wishes, to resume specie payments on the basis of the single gold standard.

As for England, we know the very decided declaration of Sir William Hareourt, the Liberal Chancellor of the Exchequer, as to the impossibility of England's making the slightest change in her monetary system, one of the chief elements of her power. No one takes seriously the remarks of Mr. Balfour on the subject of bimetallism. The member for Manchester, now a Minister, is known to every one as a man full of fantasies, whom neither paradox nor change of opinion dismays.

It would be a mistake to count on France for official support of the bimetallic movement. There has, indeed, during the last two years, been a certain agitation by the agricultural associations for the "rehabilitation" of silver. But this agitation is quite superficial. The body of the public is absolutely ignorant of the very meaning of the words "monometallism" and "bimetallism," "single standard" and "double standard." The financiers and the capitalists—that is to say, the only persons competent to express an opinion—are almost unanimously for the single gold standard.

There may be cited, it is true, the name of M. Magnin, the Governor of the Bank of France, who has accepted the honorary presidency of a bimetallist committee. But this is an individual exception. The Governor of the Bank of France is not named by the Directors of the Company, or, as they are termed here *les régents*. He is a politician who owes his place to the government, and has, as a matter of fact, very limited influence. The most important members of the *Conseil de Régence* of the Bank of France are very decidedly in favor of the single gold standard. Bimetallism in France has lost nearly all its adherents of note. Thus M. Léon Say, a former Minister of Finance and a distinguished economist, who ten or twelve years ago was inclined to be a partisan of the double standard, has recently published in the "*Journal des Débats*" three very strong articles against bimetallism. All that can be expected from France in such a matter is a passive attitude; but it would be a mistake to suppose that she will press the "rehabilitation" of silver.

INCREASING PRODUCTION OF GOLD A HARD BLOW TO BIMETALLISTS.

Moreover, within the last two or three years, the partisans of the double standard in every country have lost their principal argument. This was based on the reduction in the production of gold since 1870. Production, indeed, had been colossal from 1850 to 1870, after the discovery of the placers of California and Australia, reaching an average in that period of £670,000,000 (\$134,000,000). After that period, commencing with 1871, it had gradually fallen to about £500,000,000 (\$100,000,000) in the years from 1881 to 1884. This considerable decrease in the production of gold, coinciding with the proscription of silver in various European countries, furnished the bimetallists with their principal weapon. All the pamphlets of MM. Cernuschi and Émile de Laveleye, the great European champions of silver, were filled with considerations as to the gradual diminution of the gold product, the struggle for gold, the appreciation or increased value of gold, the money famine that was already manifesting itself and must become more and more apparent. These gentlemen were clearly lacking in the critical spirit; had they possessed a grain of it, they would have taken note of the remark I made ten years since, that the colonizing movement in Africa and Asia, and, it must be added, in America and in Oceanica, must have brought and must continue to bring to light considerable auriferous wealth.

The lamentations of MM. Cernuschi and Laveleye, and numerous others less known, did, however, make some impression upon numerous people. Certain statisticians admitted—erroneously, I think—an appreciation of gold, and in part attributed to it the fall in prices. Even Mr. Giffen, the zealous statistician of the British Board of Trade, adopted this opinion to a certain extent. To-day it has lost all value. The event, confirming my predictions, which, however, were easily framed, has shown that the colonization of little-explored countries leads to the discovery of very productive gold mines. Since 1888 the production of gold has advanced considerably. In 1894 it exceeded £800,000,000 (\$160,000,000) in place of the average product of £500,000,000 (\$100,000,000) from 1881 to 1883. This production leaves far behind the average of the great auriferous period of 1850 to 1870. A new age of gold is opening, which will strikingly eclipse that which followed the Californian and Australian discoveries about 1850. The production of gold is increasing in all countries—in the United States, Australia and Russia; and it tends to become prodigious in South Africa. An able English banker of high repute, Sir Edgar Vincent, returned a few weeks since from the Transvaal, and gave it as his opinion that that country contained £25,000,000,000 (\$5,000,000,000) in gold, to be extracted in twenty years. In 1895 the product of the Transvaal alone will probably reach £250,000,000 (\$50,000,000), and will probably reach £500,000,000 (\$100,000,000) in four or five years, if not sooner. In a few years South Africa will produce as much gold as was produced in the entire world in 1883 or 1884. In the meanwhile the old auriferous countries, very far from being exhausted, are augmenting their production and revealing new deposits to prospectors. It is probable that Siberia will in its turn come upon the scene as a great gold-bearing

country, when the trans-Siberian railway shall have been completed, as it will be in a few years.

If we reflect that from 1492 (the year of the discovery of America) to 1893—four centuries—the production of gold, according to the most trustworthy statistics, was only *F.* 43,000,000,000 (\$8,600,000,000), and that the Transvaal alone is presumed to be capable of producing in twenty years *F.* 25,000,000,000 (\$5,000,000,000), we shall understand how little question there can be—by the end of this century or the first quarter of the next, at the farthest—of the scarcity of gold, of the scramble for gold, of the appreciation of gold, and all the other formulæ that swarmed as scarecrows through the writings of the bimetallists from 1880 to about 1890. The situation is completely reversed. Within two or three years the world will yield more than *F.* 1,000,000,000 in gold, probably even *F.* 1,200,000,000 (\$200,000,000 to \$240,000,000) annually, and this will continue for twenty-five or thirty years, if not for fifty or more. Under these conditions it may rather be feared that gold will become too abundant, and may in turn depreciate. Already numerous economists and statisticians foresee a new period of recovery and advance in prices. Their expectations may be premature, but it cannot be denied that they have some foundation.

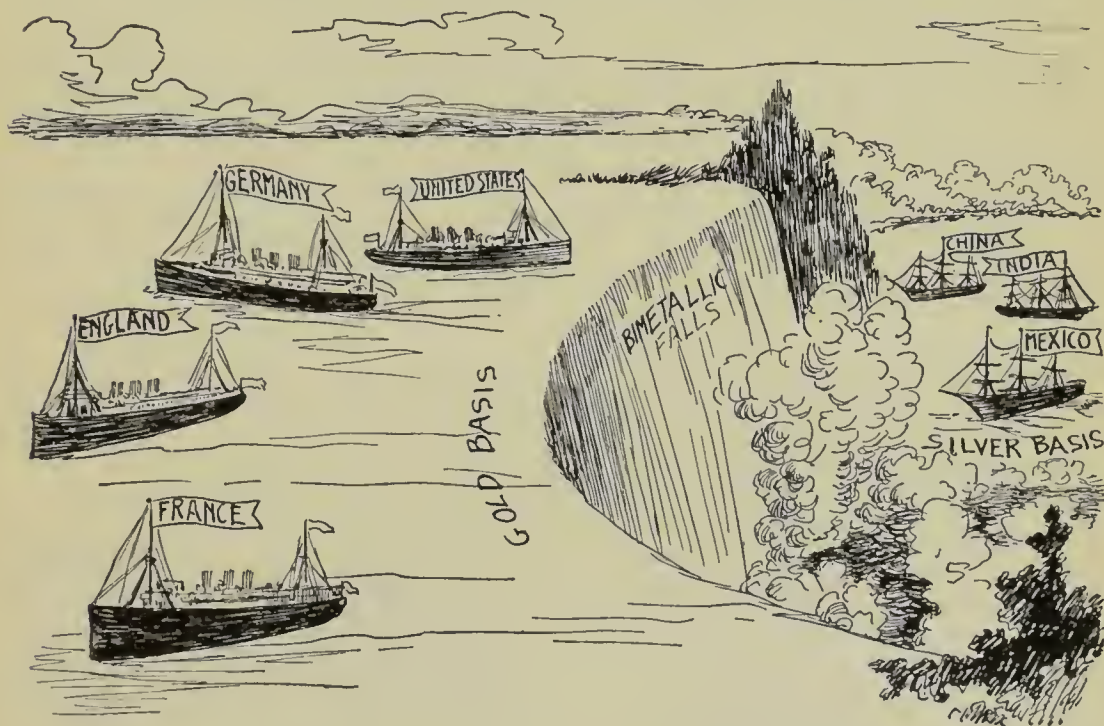
VALUE OF GOLD LIKELY TO BE NEARLY STABLE.

For my part I do not look for a very decided advance in prices, because all agricultural, industrial and scientific progress tends to render commodities generally more abundant, less costly, and more freely offered, and because, on the other hand, the rate of the increase of population tends to fall away in most countries. But I believe, if not in a rise in prices, at least in a return of steadiness in them. I am also of opinion that the enormous quantities of gold likely to be produced within a relatively short time may be absorbed without excessive disturbance by the civilized nations, especially if Russia, as is possible, wishes to resume specie payments on the basis of the gold standard; and if South America, becoming better governed and more prosperous, and following the example of Chili, desires to make the gold standard the sole basis of its monetary system. In any case the bimetallists for the next quarter of a century will be deprived of their chief argument of former times—the one they regarded as decisive—the scarcity of gold. A too great abundance of this metal is rather to be feared. Not that there is any fear that gold, in relation to the mass of other commodities, will ever fall as silver has fallen. Although the latter has declined one-half in price within twenty-five years, its production has not ceased to advance, and has, even during 1894, been remunerative. It would not be the same with gold. This metal is now very abundant in new countries, but its production is costly. In the Transvaal, which is so much talked of, few mines yield a net profit of more than 30 to 35 per cent. on the gold extracted. There can hardly be, therefore, a real depreciation of gold, because too great a fall in its value in relation to the mass of other commodities, and particularly human labor, would stop the working of a great number of mines. The increase in the production of gold since 1888, and especially since 1893, and the probability of a still greater increase within the next ten years, must blast the hopes of the bimetallists. If the production of metal only—the one most convenient for use as money, most sought in the arts, the only one at present employed in international payments—shall amply suffice for all the needs of the civilized world, why should there be joined with it a less convenient metal, more despised in the arts, and to the use of which modern custom is opposed? The bimetallic movement must be regarded as bound to collapse and vanish.

In these conditions there is but one course worthy of a great nation like the United States. It is not to persist in trying to “rehabilitate” silver; it is definitely to recognize the pre-eminence of gold and to make of this metal the sole keystone of the American monetary system. Silver will never be anything but subsidiary money for the Western nations. The United States Treasury will, without doubt, lose a part of the sums it has so imprudently sunk in the purchase of silver. But this loss is unimportant for so rich and progressive a people; it is of no consequence compared with the solidity the gold standard will give to the American monetary system and to American credit.

So soon as the capitalists, small and great, of Europe, shall know that the United States have definitely adopted the gold standard and relegated silver to a subordinate monetary role, the savings of Western Europe will flow toward that country. Freed from the fear that he may some day be repaid in depreciated money, every person with savings in all Europe will be happy to find a return of $3\frac{1}{2}$ to 4 per cent. in good American securities, and of 5 and $5\frac{1}{2}$ per cent. in the shares of well-established American enterprises. Then the immense territory of the United States will find its vast resources rapidly and completely put in the way of exploitation. The abandonment of notes or paper money issued by the State ; the definite adoption of gold as the sole standard—these are the two necessary conditions on which the United States can secure a financial position as important as that they now hold in agriculture and industry. On these two conditions they can some day approach and equal Great Britain as a financial power. If, on the contrary, they persist in their system of government paper money, and in the "rehabilitation" of silver, their industrial and commercial development alike will be trammelled, and they will undergo marked and permanent experiences of financial weakness.

SHALL WE TAKE THE PLUNGE ?

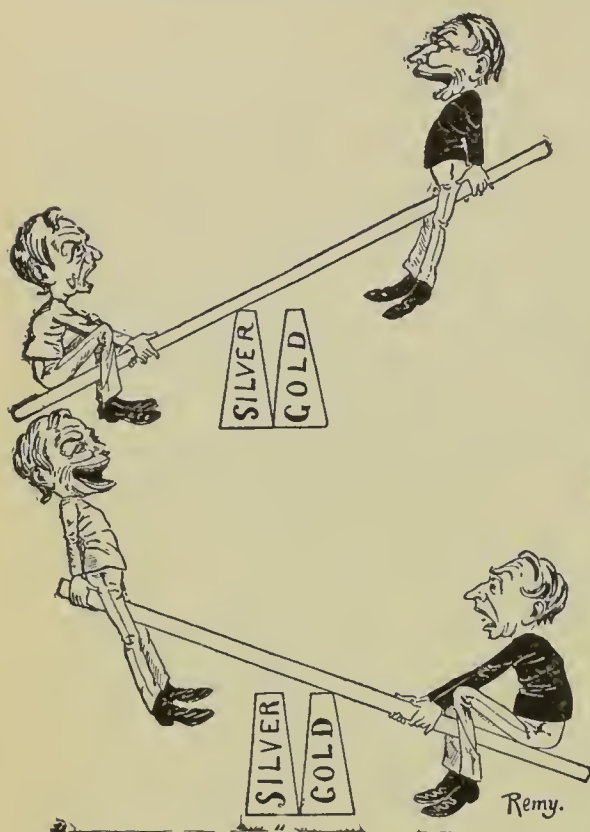


["Coin at School In Finance" by George E. Roberts.]

Alarmed Passenger on the United States (to the pilot, Coin) : "Aren't you taking us into a frightful abyss ?"

Coin : "Don't be alarmed. There is just as good boating below as above."

"BIMETALLIC" EXERCISE.



Makes Monometallism every time.

HUMPTY DUMPTY.



Humpty Dumpty sat on a wall,
Humpty Dumpty got a great fall,
And all the senators and congressmen
Can't put Humpty Dumpty 16 to 1 again.

AN HONEST MAN'S DILEMMA.



How can I use both ?

DOG IN THE MANGER.



Which will you have—dog or horse ?

SOUND CURRENCY.

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Each number contains a **special discussion** of some Sound Currency question.

What a fool a workman would be who would take his pay in cheap money, unless forced to! What every man wants is money which will buy the most goods, the most food, the most fuel, the most clothing. His money must be good money everywhere, else he suffers wrong.

Again, witness the ridiculous absurdity on the part of the people of Texas sending representatives to Congress who advocate a policy by which bad money could be forced upon them for their three million bales of cotton, for their beef cattle, for their timber, for their wool, for which they now command good money on the gold standard.

THE MONEY OF THE NATION: SHALL IT BE GOOD OR BAD?

EDWARD ATKINSON.

	PAGE.
GOLD THE WORLD'S STANDARD.....	584
GOLD STANDARD INDISPENSABLE TO INTERNATIONAL TRADE.....	586
THE CURRENCY OF OUR DOMESTIC TRADE.....	588
SILVER MINES vs. HEN-HOUSES.....	592
FARM PRICES AND SILVER.....	592
MORTGAGE DEBTS.....	595
THE WORKINGMAN'S INTERESTS.....	596
THE MAINTENANCE OF CREDIT.....	597
OUR FOREIGN MARKETS.....	599

THE MONEY OF THE NATION: SHALL IT BE GOOD OR BAD?

Mr. President and Gentlemen of the Manufacturers' Club of Philadelphia:

I have seldom received an invitation to make an address which gratified me more than the one which has brought me here this evening. It is from a body of men who are entitled to the position and influence which they have attained by what they have accomplished in developing the great industries of this country; yet with some of whom I may assume that there is a profound difference of opinion with myself on many important questions.

We are to-day again at a parting of the ways. We are at this time and in this year to decide upon a more difficult problem than that of overcoming the retarding influence of slavery. The passive war of slavery could only logically culminate in the active war by which it destroyed itself. That was merely a question of the strongest, and the principle of personal liberty prevailed, but the question which we must now solve is more subtle. The problem with which we are called upon to deal is whether the money of this nation shall be good or bad. As there could be no compromise between free labor and slave labor, so there can be no compromise between good money and bad money. Bound up in this problem is the further question whether or not this Union shall assume its paramount position among all the nations of the world, or shall fall far behind them under the bonds of financial ignorance.

I know that you will be as earnest to have me speak from my convictions whether they differ with yours or not, as my southern friends have been when they have so often called upon me to act as a pointer in the direction of the further development of their great resources. I have presented this problem in its simplest form. I now take my stand on the single issue on which I am well aware that I shall not be sustained by all your members, but knowing so many of you in my business relations with you to be strong men, fully competent to direct great undertakings and who would not for a moment be tempted to advocate any policy which was adverse to the common welfare for your own selfish greed, I am very sure that I shall be supported by the great majority.

GOLD THE WORLD'S STANDARD.

The stand that I now take is that in the present condition of the world, and in the present condition of interdependence among nations which exists whether we will or no, money made of gold is good money; money made of silver is bad money, except for subsidiary use in small coins convertible on demand into gold. I admit that silver has served a useful purpose as a standard, but it has yielded to the survival of the fittest. Gold has become the standard, or unit, to which all great commerce adjusts itself whether we will or no. In order that I may sustain this position let me give you the best definition of money that has ever come under my notice. It is that presented by Henri Cernuschi, the most conspicuous, the most sincere, and the ablest bimetallist of the present time, a man who is entitled to the respect and esteem of all who know him. His distinction between good money and bad money is this:

"It is by the ordeal of fire that money may be tried. The coins which, being melted down, retain the entire value for which they were legal tender before they were melted down are good money. Those which do not retain it are not good money."

There is but one kind of coin that meets this test of good money, and that coin is made of gold. Each one of these coins is estimated or valued by the exact quantity or weight of pure gold contained in it. This rule holds as true in respect to the coin which I have upon my watchchain, made about 2,400 years ago

by the second Philip of Macedon, the father of Alexander the Great, as it does in respect to the last gold coin struck in the mint of this city by the United States. This Macedonian coin was named a Stater, because it was the standard or unit of value of the ancient world, as the gold in the coin of the present day according to its weight is the standard or unit of value of the modern world.

Yet bi-metalism, tri-metalism and quadru-metalism have existed, now exist and will exist. Silver, copper, nickel, even iron have been coined and used, and are now used, even iron in Africa, as money metals—but they can be used only among the great manufacturing and commercial states, as subsidiary coins or tokens convertible on demand into the standard coin of gold which is the world's unit of value.

In what then consists the difference between Monsieur Cernuschi and those who stand with me in defence of the single unit of value as now established by the statutes of the United States? It is this: Monsieur Cernuschi; President Francis A. Walker, President E. B. Andrews and, I believe, Mr. Arthur Balfour, and a very few other persons who are held to be of any authority in the discussion of monetary science, hold that all money of whatever material—gold, silver, copper or paper—derives what we may call its monetary power by force of acts of legal tender. Acts of legal tender are acts of force. They give to the debtor under a bi-metallic or optional tender, a choice of what kind of money to tender, while they deprive the creditor of any choice in the matter; on refusal of a legal tender the creditor may forfeit his whole claim. Conceive, if you can, a form of contract on steel which would give to the contractor the right to tender basic, bessemer or crucible steel in fulfilment of his contract, while depriving the buyer of any choice in the matter and compelling him to make payment for whatever the contractor might tender to him, or if paid in advance to forfeit his money. There is a perfect analogy between these two cases.

On the other side, nearly all economists and students of monetary science and nearly all bankers of repute hold to the theory and adjust their practice to the fact that money derives its monetary power from the estimation in which the substance of which it is made is held by the community. I am speaking now of absolute money, of coined money, not of its credit substitutes.

If by law, treaty or agreement, either use or value can be imparted to two metals of varying cost and estimation, the same law, treaty or agreement can make stamped paper equal in monetary power to either.

I may assume that in such a body as this there are no advocates of government fiat or paper money, and that there are none so ignorant as to assume that merely to stamp either paper or silver with the name of a dollar makes it a dollar of good money. The stamp upon a silver dollar is but the certificate of its weight and quality. Much confusion arises from making no discrimination between acts of coinage and acts of legal tender. If there were no act of alternate legal tender, the free coinage both of gold and silver would be perfectly safe. There would then be a free choice. Those who believed in silver could make their contracts in silver to be fulfilled only in silver—those who held to the gold unit of value would make their contracts in gold to be fulfilled only in gold. I have never yet met an advocate of free silver coinage who did not flinch before this proposition. His real animus is at once exposed when free coinage is offered without any reservation. "No," he says, "that is not what we want. We want not only free coinage but we want a law of legal tender that will empower us to compel the acceptance of the fifty-cent dollar whenever we may tender it. We do not propose to give the creditor any choice."

GOLD STANDARD INDISPENSABLE TO INTERNATIONAL TRADE.

The purpose of the advocates of what is called international bi-metallism is to bring the force of acts of legal tender into international commerce. Their purpose is to give the debtors of one nation or the debtor nation or state the power to force upon their creditors of another nation, coins made either of gold or of silver at a fixed ratio. They hold that if that force of law is applied to the use of silver it will bring silver to a parity with gold at the ratio of weight which may be agreed upon.

The advocates of the free coinage of silver at sixteen to one in this country, without the co-operation of any other country, go one step further and either believe or pretend to believe that this country can by its own act raise the ratio or valuation of silver from its present proportion, ranging from thirty to thirty-two of silver to one of gold, up to sixteen to one by act of legal tender. It is difficult for me to conceive how such errors can be honestly held, but I do not intend to impute a dishonest motive to any one here. I know you all too well, either personally or by repute, to do that.

We must first deal with international commerce in the conduct of which there is no act of force or legal tender. The sum of all the exchanges of product for product by import and export among nations, comes to between sixteen and eighteen billion dollars (\$16,000,000,000 and \$18,000,000,000) a year—a huge sum. Without attempting to give you the proofs at this time—which I will give in print to anyone who desires them—the domestic commerce of this country at the present time—the sales and purchases every day amount to one hundred million dollars (\$100,000,000), for food, fuel, fibers and fabrics only,—the sum of our domestic commerce coming to the huge total of at least thirty-five (\$35,000,000,000) and probably forty billion dollars (\$40,000,000,000) a year. You will observe whatever may be the legal tender money of each state or nation sharing in international commerce, whether it be the silver of Asia, or the paper of Russia and South America, or the gold of this country, yet by far the larger part of these international exchanges is conducted in the monetary term of pound sterling. That monetary term or title has become the stater or standard or unit of value of modern commerce. What is a pound sterling? There is no coin carrying or bearing that lawful name. The coinage acts of Great Britain provide for a two-pound piece and a five-pound piece, but not for a one-pound piece. The sovereign is the equivalent in coin when of full weight corresponding to the title “pound sterling,” which stands for 113.0016 grains of gold. But if the sovereigns are abraded or light in weight, they are not a legal tender on contracts made in terms of pounds sterling. A contract or bill of exchange in pounds sterling can only be discharged by a tender of the full weight of gold.

It is the assured credit, the trust reposed in the stability of that standard or unit of value or stater, which has made London the banking center of the world. It is to her stern adherence to that single standard that Great Britain owes a large part of her paramount control of the commerce of the world. Shall we share in that credit with her, or shall we deprive ourselves of all share by our own discredit and serve her interests most fully by debasing our own standard or unit of value at the dictation of the owners of the silver mines of the far west?

I take no exception to a scientific discussion of what is called bi-metallism. I wish international bi-legal-tenderism could be tried, but I conceive that it is impossible to apply the force of legal tender to international commerce. A bi-legal-tender treaty might work, but when one considers the absurdity of free

coinage in this country only, one realizes what folly it would be for our cotton and grain growers to consent to such an act. During the last ten years sixty per cent. (60%) of our exports, mainly consisting of cotton, grain and provisions, have been bought of us by Great Britain and her colonies. The excess of these sales above our imports from Great Britain and her colonies has amounted to an average of two hundred and forty million dollars (\$240,000,000) a year; twenty-four hundred million dollars (\$2,400,000,000) for the decade. That sum has been passed to our credit in London in pounds sterling, that is, that weight of gold has been placed at our disposal. What does Great Britain do with her imports of cotton and food? She converts them into fabrics which she sells in very large measure to Asia, South America, Africa and other silver or paper using countries. In order to pay us in money good as gold, the cost and uncertainty of converting the silver which she receives into gold—falls on her in the conduct of her export trade—and that cannot be done without additional risk and cost. If an act of free coinage of silver at 16 to 1 were adopted by us, Great Britain would rejoice in the opportunity to pay over in the next ten years twenty-four hundred million dollars (\$2,400,000,000) in silver to this country, at its coinage value or twice its bullion value, while retaining to herself the gold of the world, of which a considerable part would consist of our entire stock and our annual product of gold, under the inexorable law that a base currency which is of legal tender drives all good money out of circulation. Do you wish to conduct our commerce with Great Britain on a policy of "Heads she wins—tails we lose?" If you do you make an alliance with the Silver Senators to coin silver bullion at 16 to 1.

But it wouldn't work. No nation and no State, even in this Union, forbids special contracts in terms of gold subject to liquidation only by payment in gold whether coined or by weight, although some futile attempts have been made in some of the States of the Union to interfere with free contract even to that extent. Gold delivered by weight under the title "pound sterling" has become the medium of exchange, and the money of account in international commerce by a process of natural selection and not by statute, treaty or agreement. Let it be assumed that there should be an agreement of mutual legal tender, commonly called bi-metallism, between the great commercial nations. What would bankers and merchants then do? It would bring uncertainty into their business in place of certainty. It would render it necessary to add an element of insurance to the price of every bill of exchange. My impression is that the great banks and bankers of the world would at once combine to make a great special deposit of gold bullion in reserve somewhere, probably in London; perhaps in part in London, New York, Paris, and Berlin; then inventing a new name for a given weight of gold, the names dollar and pounds sterling having been discredited and having lost their significance through the interference of the bi-legal-tender act. Drafts would then be made under this new term. Suppose the word "stater" were adopted and the weight of the stater were fixed at one hundred (100) grains of gold for convenience. All types of other kinds of money would then of necessity be adjusted to that standard. The computations for establishing the value of each by the standard of the stater of one hundred grains of gold would be very simple. In that event this absurd carting of gold about the country and moving it at the risk of loss across the seas might be wholly stopped. The bankers would each maintain their own part of the reserve. It would be almost unnecessary to move any. Gold is not fit, in fact, to serve as pocket-money, because of the great wear and tear; it is too valuable. Thus absolute stability would be given to the standard or stater

by great banks and bankers whose credit and standing would then be vastly better than that of any of the States or nations which had entered into the bi-metallic or bi-legal-tender agreement.

All international commerce might then be conducted by bills of exchange drawn in terms of "stater," exactly as they are now drawn in terms of the "pound sterling." The difference would be that Great Britain, having discredited the name of "pound sterling" by making it a name for either gold or silver at a fixed ratio would lose the prestige which she now possesses, and that prestige would pass to the combination of the great banks and bankers of the several countries who trusted each other in this way, and whom the whole business community would then trust or rest upon for the security and stability of their contracts. Do you think Great Britain will commit such a folly as to discredit the pound sterling? If you have any doubt, read the report of the recent debate in Parliament in *The Times* of March 18, from which I make one notable extract from the speech of Sir John Lubbock. Referring to the last year, he said: "Anyone listening to the bi-metallic arguments would suppose that English farmers were being ruined by our markets being flooded with produce from silver-using countries. Now, what were the facts—we imported a little over £150,000,000 worth of produce; only £3,100,000 came from silver-using countries, while £147,000,000 worth came from those using gold or inconvertible paper."

THE CURRENCY OF OUR DOMESTIC TRADE.

I have given you the huge total of international commerce; let us now recur to our domestic traffic.

The daily transactions, the purchases and sales of the people of this country in supplying themselves with food, fuel, shelter and clothing—all that we get in a material sense out of life, and all that we need for the support of material life—amounts to not less than one hundred million dollars' (\$100,000,000) worth of exchanges every day. What folly to talk about per capita circulation of money! Whenever a man begins to talk to me or to write to me about the quantity of money per capita which a nation may need, I despair of my own ability to drive any common sense into his head. The use of money in circulation is only for pocket-money—the greatest part of the aggregate, one hundred million dollars' worth (\$100,000,000) of purchases and sales every day in the year is liquidated by checks, book accounts or other instruments of credit. Moreover the rule is perfectly plain that the use of money in circulation for pocket-money is in inverse proportion to the wealth and intelligence of a community. The canny Scotch, who have developed the best banking system in the world, use less money in circulation than any other people. Their ten or eleven great banks, with more than one thousand branches, extend to every corner of their small domain, and there is scarcely a farmer, hardly a crofter in the whole domain of Scotland who has not intelligence enough to have a bank credit and to use a check-book.

But on the other hand when you think of this enormous volume of transactions and when you bear in mind that a shock to the credit of the unit of value, by which standard trade is carried on, retards the circulation of these commodities, and may even cause almost a complete paralysis—as it did when the panic which was brought on by the danger of the free coinage of silver came—you may imagine its malignant influence. What is the matter to-day? The world, even this country, is always within a year or less of starvation,—within two or three years, a little more or less, of becoming naked,—always within three or four years of having the huge addition of the population homeless for

lack of room in houses already existing. All these products of the soil, the mine, and the forest must be kept in constant circulation on their way to the immediate or slow consumption which is the end of all production—and yet a shock to credit may stop or retard the progress in all these lines, bringing on disaster as it has in the near past—as there is danger that it may now in the immediate present—and as there is certainty that it will again if the circulation of bad money is not stopped, and that bad money withdrawn from the veins which it poisons. The late sale of bonds is but a stop-gap. There will be no cure to the evil of bad money until every note of the United States which is redeemed or paid in coin, either of gold or silver, is cancelled and its evil course in collecting a forced loan ended. The great volume of useful products which men, women and children will need and must have is now held as by a dam. But it is a dam of damnable discredit due to the utter confusion in our monetary system, and that discredit is caused by the incapacity of all the Congresses of late years in which the dishonors have been divided between the two parties. It is with a sense of profound humiliation that we are compelled to admit that the danger of free coinage has been upon us. I am almost ashamed to be called upon to present the grounds upon which this country of all existing nations may maintain its credit and paramount position in the face of danger from the betrayal of a trust by its own people. We hold the command of all the gold of the world that we need to sustain our credit and we should do so if not an ounce were produced within our own domain because we produce so large a part of the food and fibers that the world needs.

With the gradual development of common sense and with the growing observation of economic facts, the fallacious theory that labor is cheap because it is low-priced, and that labor is dear because it is high-priced, is beginning to become absurd. No manufacturer practices on that theory. Whenever it becomes necessary to discharge any part of a working force in hard times, are not the low-priced men the first ones discharged? Are not the high-priced men kept on because they are the only ones who can assure a full product from expensive machinery at the lowest cost of labor per unit of product? High wages or earnings are a product. They are secured in largest measure where the conditions are most favorable and the taxes the lowest; capital advances only the wages of labor, extending a credit to the future which gives assurance that from the sales of the joint product these wages will be recovered with a profit added. Both wages and profits must be measured in terms of money. That money must be a stater, a standard, a unit of value. What a fool a workman would be who would take his pay in cheap money unless forced to! What every man wants is money which will buy the most goods, the most food, the most fuel, the most clothing. His money must be good money everywhere else he suffers wrong. Nay, when there is a doubt about the stability of the unit of the value, the bankers, who maintain their own affairs on a gold standard, surely profit out of the fluctuations of the monetary unit at the loss of every workman.

There are some men who are engaged in this effort to debase the unit or standard of value of this nation who are entitled to no respect. They are men like the Senator from one of the new States who met my protest against the free coinage bill of the last Congress with the bold avowal, "You need not argue the case with me, Atkinson. I don't believe in the d—d rot, but I have got to vote for it." These are the men who would foist cheap silver of legal tender upon the community in order to raise prices, without regard to wages. These are the Senators who lend their own money on mortgage payable only in gold, and yet pretend to act for the public benefit in debasing the unit of

value. When such men are to be dealt with, one may paraphrase the words of Ebenezer Elliot, the Corn-Law rhymist.

What is bad money then, thou slave,
Whom robbers represent?
What is bad money then, thou knave,
Who lov'st bad government?
It is the deadly will that takes
What labor ought to keep.
It is the deadly power that makes
Goods dear and labor cheap.

In place of dealing any further with the petty fallacies with which the advocates of the silver miners try to mislead the public, I will now try to bring before you certain great facts. It is often alleged that gold is becoming more and more scarce and has consequently appreciated. This appreciation is declared to be proved by the fall in prices. In all the discussions which come to our notice the proof of this fall in prices rests on the admitted fall in respect mainly to the products of agriculture, chiefly articles of food, at the European centers, London and Hamburg, whence this food is distributed for final consumption. The London, Hamburg and other well-assured lists of prices all agree that there has been a great fall in prices since 1873, the year of alleged injustice and wrong to silver. No notice is taken of the fact that for twenty-five years antecedent there were greater variations in prices than in the subsequent period. Prices did, in fact, culminate in 1873, and have, on the whole, been declining in London and Hamburg, in Great Britain and in Europe, especially in respect to articles of food, since that date. There are some exceptions. Some prices have risen. But these silver advocates pay no regard to the fact that there has been a coincident rise in the rates of wages. There has also been a fall in some food prices in the Atlantic States of this country, especially in respect to cereals. But there has been a coincident and yet greater advance in the rates of wages. There has been a fall of prices in Great Britain, but there has been a steady advance in the rates of wages, less than ours it is true, and the same is true in less degree of the Continental States. One may ask why the rise in wages abroad has not been as great as our own? If low prices and higher wages are correlative terms, why do they not march together? The reason is very plain to all but those who won't see. We have been reducing our taxes and our expenditures in ratio to our population, and while Europe has been preparing for war, we have prepared for the works which make for peace and plenty, and yet we have lately spent about \$7,000,000 upon two ships of our navy, bearing the base title "Commerce Destroyers." This will become as grotesque to you as it is to me when I give you the evidence that about the only commerce to be destroyed is that of the European States which take eighty-three per cent. of the exports on which the welfare of our farmers now rests.

Our national debt at its highest point, August 31, 1865, was eighty-four dollars (\$84) per head. On the 31st of December, 1895, it was a fraction under thirteen dollars (\$13) per head. But owing to the present absurd necessity, which the government is under of counting cheap silver as an asset of full debt-paying power, we must add to that estimate of thirteen dollars (\$13), two or three dollars per head for the loss which we shall ultimately pay through having incurred a debt to the amount of nearly five hundred million dollars (\$500,000,000) for the purchase of silver bullion. Our taxes at the highest point, immediately after the war, were a fraction under sixteen dollars (\$16) per head. But our net ordinary expenses were then rapidly diminishing. We were making also payments of the debt. The net expenditures in 1866, when affairs

had become fairly adjusted to the condition of peace, were a little over ten dollars (\$10). In 1886 they were four dollars and fifteen cents (\$4.15) and they continued at less than an average of four dollars and fifty cents (\$4.50) down to 1890. Under the legislation of that year they rose to five dollars and seventy-three cents (\$5.73) in the year 1893, but they are now back again to five dollars (\$5) or less per head of the population, and unless jingoism prevails they will be lessened year by year.

Under the legislation of 1890, the Treasury was deprived of a revenue from sugar which had yielded for many years ninety-two cents (92 cents) per head. Had that revenue been continued to the present date, the deficiency would have been covered, and there would have been an excess available for the payment of debts of at least one hundred and fifty million dollars (\$150,000,000). Yet the framers of that act of 1890 builded better than they knew. The necessity which soon ensued for the Secretary of the Treasury to apply the cash balance in the Treasury to meet a deficiency of revenue called serious attention to the grave danger of the Sherman act for borrowing by force year by year on legal tender demand notes and piling away a stock of useless silver bullion in the Treasury of the United States. Had it not been for that deficiency, which is now ended, it is not probable that the Sherman act would have been repealed. The evil day of reckoning would have been put off and the penalty would have been the greater the longer it was deferred.

Think of it a moment, gentlemen, we have borne a tax of nearly sixteen dollars (\$16) a head without retarding our progress. If a way could now be devised for collecting a tax at that rate for only a single year, it would cover the whole outstanding bonded debt of the United States and the normal expenses or cost of government of that year as well. Compare with our neighbors over the sea. The budget of Great Britain increased in order to build more battle-ships, just presented to the Parliament of the United Kingdom, calls for national taxation and expenditure in the present year at the rate of very nearly thirteen dollars (\$13) per head. The excess of British taxation of eight dollars (\$8) over our present rate of five dollars (\$5) would pay our whole national debt in less than two years.

But now let us return to the question of prices. It is claimed on the basis of the admitted data of European prices that because they had fallen gold has risen, that is to say, it has appreciated. A fall in prices is said to be a sure sign of the appreciation of gold. It is held that this tendency must be checked; that prices must be raised by injecting more cheap silver into the money of the commercial world so that by increasing the quantity and lowering the quality of the combined coinage, the whole course of prices may be reversed. That has been and is the objective point of the advocates of free silver in this country.

The moment that dangers of free coinage became apparent the long-predicted panic ensued and the industrial paralysis occurred. Prices fell instead of rising, because of the check to credit. Thousands and thousands of workmen were reduced to compulsory idleness. There was widespread want in the midst of plenty as anyone might have foreseen who had any capacity to forecast the malignant influence of the national discredit which was sure to follow the silver craze—as many did foresee and did record their forecast—myself for one. We have not yet surmounted the influence of that free silver panic, and we shall soon be exposed to a greater one if the audacious demands of the silver mining senators receive any support from such a body of men as that which I am now addressing. If it were not for the existence of these silver mines, whose advocates so impudently demand that “something shall be done for silver,” there

would never have been any question of free silver coinage in this country. We should have had an orderly, reasonable discussion of bi-metallism, which business men would have disregarded as they now do in England, being well assured that the present standard will not be altered. If it had not been for the undue political influence of these mis-representatives of the nation, who occupy places in the Senate and who pervert this influence in order "to do something," for the private gain of the silver miners whose petty product has cost as a whole from the outset by their own admission, more than it has come to, the political trimmers of others States would not have made an unholy alliance with them in disregard of the fundamental principles of sound finance.

"Something must be done for silver," forsooth. Now just for the fun of the thing, if for nothing else, let us take the measure of this dominant power which rules this country. I told the magnates of South Carolina the other day that the cur dog rules their State, forbidding wool growing, retarding the progress of agriculture and keeping back the progress of their States. Within a month the Legislature of South Carolina passed the most stringent dog law in the United States, and Georgia will soon follow.

SILVER MINES VS. HEN HOUSES.

I now propose to compare the product of the silver mines with the product of the hen mines. The egg standard is a useful one, which I often refer to. There are a great many people who can tell a good egg from a bad one, who do not appear to be able to tell good money from bad money. I have gauged the product of eggs in a great many ways—there are many methods—it is an absolute fact that the sales of eggs from the barn yards of this country amount to more than one hundred million dollars (\$100,000,000) a year. The bullion value of the silver produced last year was thirty-two million dollars (\$32,000,000)—a third part of the value of the hens' eggs. The coining value was sixty-four million dollars (\$64,000,000). That margin of one hundred (100) per cent. profits is the objective point of the chief promoters of the free coinage of silver at 16 to 1. The silver dollar of full legal tender is the cur dog of our monetary system. On that point there is hearty agreement between those who support the single unit value on a gold basis and the honest representatives of the bi-metallic theory under an international agreement.

FARM PRICES AND SILVER.

I have wandered far away from the alleged appreciation of gold. We have admitted all the foreign proofs of such appreciation. Now let us give some regard to the protection of domestic industry against this curse of cheap money. The great center of food production in this country is now to be found in the ten grain growing States on the upper Mississippi and on the Missouri River. I need not name them. All the facts which I shall now present to you are cited from the wonderful work of analysis lately accomplished by Mr. L. G. Powers, Chief of the Bureau of Statistics of Minnesota, than whom there is no man more competent, or whose figures can be more fully trusted in this country. The place to test the question of the appreciation or depreciation of gold by the standard of prices is there, at the center of production of food by which the world's prices are governed. The right place to test the gold problem is not five thousand (5,000) miles away where the grain and provisions have been charged with the whole cost of transportation and of distribution. It is affirmed that gold has appreciated because the price of grain has been reduced in these foreign countries. That test of the price of grain being admitted, let us now apply it in the Mississippi Valley. If the test is given to wheat only, gold has depreciated since 1860 in the Mississippi Valley because the prices of wheat in Minnesota from 1862 to 1866 averaged fifty-six and one-half cents (56½)

a bushel provided we reduce the currency price of a part of that period to a gold basis. In 1891 to 1894, the average was sixty-two cents (62). Gold has not varied up or down since 1870 because the prices of wheat on a gold basis were almost identical from 1871 to 1874 inclusive, at seventy-three and one-tenth cents (73 1-10) to those of 1891 to 1894 at seventy-three and four-tenths (73 4-10) cents.

The following extract from a report lately made by Mr. L. G. Powers, Chief of the Bureau of Statistics of Minnesota, is given in support of this statement:

"A comparative statement of the average gold values for wheat per bushel upon the farms of Minnesota and New York, and the market value in cents of American wheat in London, England, from 1862 to 1894:

Year.	Minn.	New York.	London.	Differences.	
				Minn. and New York.	Minn. and London.
1862-66	56.5	115.0		58.5	
1867-70	65.3	138.6	175.6	73.3	110.3
1871-74	73.1	134.1	176.3	61.1	103.2
1875-78	72.7	110.5	149.2	37.8	76.5
1879-82	92.2	132.4	149.6	40.2	57.4
1883-86	64.2	92.4	113.5	38.2	48.3
1887-90	73.4	95.3	106.1	21.9	38.7
1891-94	62.1	83.5		21.4	

"An examination of the foregoing table shows that from 1867 to 1870 the Minnesota farmer, on an average, realized in gold only a trifle over one-third of what his wheat was quoted at in London. He received 65.3 cents a bushel, while 110.3 cents were absorbed by the middlemen, the dealers and transportation companies, between him and the London miller, who paid for the wheat 175.6 cents. This great difference between the Minnesota figures for wheat and those of London has steadily declined, and this decline measures the fall of grain prices in Europe. The farmer of the West or producer has received no benefit from this change. It has all gone to the consumer. In fact, the farmer in the Eastern States has lost greatly by this change in the charges of the middlemen, as is shown by the table. The farmer has his benefit of reduced freight charges and cost of handling merchandise, not in the objects produced by him, but in those purchased by him. As a purchaser of farming implements and staples of food, clothes, etc., he reaps his share of the benefits of the elimination of the middlemen, as the purchaser of his wheat in London reaps a corresponding benefit in his purchases of the products of the Western farmer.

"The Minnesota wheat farmer realizes a general advance in the prices obtained by him from 1867 to 1882, and thereafter a decline. Some of the advance between '67 and '82 arose from the introduction of the roller process in milling in Minneapolis, which raised the price of hard spring wheat from a level of 10 cents a bushel below, to 10 cents a bushel above, the best white winter wheat of New York. The fact that other, and more recent, milling inventions have raised the price of winter wheat to nearly the same as that of hard spring accounts for some of the subsequent decline shown in the table for Minnesota.

Mr. Powers further remarks:

"None of the tables when carefully examined give any support to the theories and claims of the advocates for the free coinage of silver. The aver-

age price of wheat advanced in Minnesota after the legislation of 1873 as well as declined. The silver legislation could not produce both. The great decline in the average prices in the Eastern States took place between 1862 and 1873, and not after. The silver legislation of 1873 cannot be said to have caused the decline in grain prices."

I have found it very difficult in discussing this matter in England, especially when I was requested to appear before the Royal Commission on the Depression of Agriculture, to make our English friends comprehend that wheat is not the most important crop in this country, rather an alternate or optional crop in many sections, with the more important products of Indian corn, oats or hay.

And here again I have the liberty to put before you an, as yet, unpublished computation made by Mr. Powers, which you will find conclusive. Dealing with the farm values of nine crops—corn, oats, wheat, rye, barley, buckwheat, potatoes, hay and tobacco, of the State of Illinois, he reaches the following somewhat astonishing results by giving the gold values of these farm products by four-year periods from 1862 to 1894 inclusive. Mr. Powers remarks that Illinois is a large State, and its agriculture is truly typical of the husbandry of all the vast territory extending from Ohio to Kansas inclusive and from Minnesota to the cotton belt of the South. In the years 1862 to 1894 inclusive, Illinois raised a total of 354,711,627 tons of the nine crops, of a farm value of \$5,038,150,906 in currency or \$4,570,148,391 in gold.

AVERAGE FARM PRICES PER TON IN GOLD IN ILLINOIS, 1862 TO 1894.

CROPS,	1862 to 1866	1867 to 1870	1871 to 1874	1875 to 1878	1879 to 1882	1883 to 1886	1887 to 1890	1891 to 1894	1862 to 1894	Per cent- ages.
Corn	\$10.57	\$13.08	\$10.97	\$9.84	\$14.55	\$11.43	\$11.60	\$12.91	\$11.82	50.36
Oats	16.42	18.35	16.33	13.62	20.68	15.63	15.90	17.92	16.77	9.81
Wheat	29.17	30.44	32.49	28.34	33.10	24.59	26.18	20.96	29.55	8.49
Barley	24.22	29.60	28.16	24.74	29.41	22.39	24.77	18.25	25.72	0.27
Buckwheat	20.95	26.05	29.01	25.76	31.65	25.99	24.87	29.58	25.54	0.04
Rye	16.81	20.62	18.82	17.25	23.68	17.98	18.65	15.04	19.04	0.63
Potatoes	14.89	17.39	23.04	13.51	19.87	12.86	17.11	23.02	17.39	2.37
Hay	7.16	7.55	8.70	6.19	9.54	6.81	8.70	8.62	7.82	27.99
Tobacco	167.24	134.04	156.63	96.08	134.25	147.60	168.14	143.68	145.65	0.03
Corn, Oats & Wheat (1)	14.26	16.38	14.26	12.05	18.21	13.28	14.06	14.83	14.59	
Corn, Oats & Wheat (2)	13.69	15.97	14.40	12.66	17.72	13.66	14.01	14.61	14.59	
All Crops (1)	12.45	13.83	13.17	10.60	16.25	11.31	12.65	13.31	12.88	
All Crops (2)	11.98	13.75	13.13	10.98	15.59	11.83	12.72	13.19	12.88	

No. 1. General average of all. No. 2. Averaged on relative importance.

In the table, which he gives in detail, he gives the average value per ton in gold of each of the nine crops above named. He averages the combined crops of corn, oats and wheat separately, and he also averages the total nine crops. The Indian corn crop or maize constituted a fraction over fifty per cent. (50%) of the total tonnage of these nine crops. Its representative in commerce is, of course, under name of provisions.

The better average, which is the one which I will cite, is obtained by combining the several products in fixed proportion by weight so as to give each its relative importance. The figures in this table, however, vary so little from the general average as not to be of any considerable importance.

The gold value of all crops combined:

From 1862 to 1866, averaged in gold	\$11.98 per ton.
From 1871 to 1874, currency price being reduced to gold	13.13 " "
From 1879 to 1882, the period of great scarcity in Europe, in gold.	15.59 " "
From 1891 to 1894, in gold	13.19 " "

Dealing with the crops of maize or Indian corn, oats and wheat, as distinct from the other six crops included in the nine, we get the following results:

Average gold value of maize, oats and wheat:

1862 to 1866, in gold	\$13.69 per ton.
1871 to 1874, currency prices reduced to gold	14.40 " "
1879 to 1882, in gold	17.72 " "
1891 to 1894, in gold	14.61 " "

MORTGAGE DEBTS.

Yet the people of England and many persons even in this country have been made to believe by clamor of the silver cranks that the condition of western agriculture throughout this period has been one of depression, loss, mortgage and foreclosure. I will quote again from Mr. Powers' statements, made independently from those which I have heretofore presented on this subject. Dealing with the ten great States in which these crops are made, he says, "An analysis of the mortgage debt of any one of these States will show that in 1890 the relative burden was not much, if any, over one-half as great as in 1880." The mortgage foreclosures of these States have been compiled for a long period for only one of these States, that of Minnesota. This compilation has been made by Mr. Powers himself. He says: "The statistics of this State disclose a relative frequency of foreclosures, less in 1893 than in any other year of Minnesota history. It shows that in that year it was less than one-fourth as great relatively as in 1873, or in the period before the noted silver legislation."

Mr. Powers adds this comment: "In view of such facts" (of which I have given you a few) "how long will it be before men will cease parrot like repeating the assertions about American prices, and American debts, and American resources, made by the English bi-metallists? When will they soberly look at the facts showing exactly what American farm prices are and have been, and how the American farmers are by reason of a general advance of prices in the West, rising to greater prosperity than was ever enjoyed by them before the much decried legislation of 1873?"

Under these conditions, we will now try this case of the appreciation or depreciation of gold in these great food producing States of the Mississippi Valley by a comparison of the prices of what the farmers buy with the average prices of what the farmers sell. Presto, change! The proof becomes absolute if the price formula be accepted that gold has been subject to a great appreciation in the Mississippi Valley. You will observe that with respect to what the farmer sells it has depreciated; he can get more of it for his crops than he could a few years since. With respect to what the farmer buys, however, it has appreciated about fifty per cent., because he can buy a great deal more of what he wants with every dollar of gold which he has secured by the sale of his crops.

In that monumental work upon prices and wages compiled by Commissioner Carroll D. Wright for the Senate Committee, on which the protectionist Senator, Aldrich, and the free trade Senator, Carlisle, laid aside all questions of theory, uniting in the single purpose of eliciting the truth, to their great honor, we are to find our evidence. All prices are rated by the gold standard of 1860, or an index number of one hundred (100). For the first comparison we will chose the notable year 1872, just before the collapse of the debauched paper currency had brought on the panic of 1873. We will compare the paper money prices of that year with the year 1891, just before the debauch of the cheap silver coinage had led prudent people to forecast the panic of 1893. All the leading articles of food which the farmers produce and sell, were in 1872 at the index number of one hundred and twenty-two (122)—a rise of twenty-

two (22) points in paper from the gold unit of 1860. How about the farmers' purchases of that date?

Cloth and Clothing stood at.....	131	in paper money.
Fuel and Light at	136	" " "
Metal and Implements at	117	" " "
Lumber and Building Material at.....	153	" " "
Drugs and Chemicals at	123	" " "
House Furnishing Goods at	113	" " "
Miscellaneous at	121	" " "

Witness the malignant influence of fiat money on wages in the diagram herewith.

Now let us go on to the solid ground of gold prices of 1891 before the fear of free coinage had disturbed all the conditions of the country. The food products of all kinds dealt with by Commissioner Wright brought to the farmers, the meat packers, the millers, etc., one hundred and four (104) in gold—a rise of four (4) points, as compared to 1860; but with respect to the farmers' purchases witness the change.

Cloths and Clothing were reduced in cost to him,			
as compared to 1872.. . . .	from 131	to 81.	
Fuel and Light	" 136	" 81.	
Metal and Implements	" 117	" 75.	
Lumber and Building Materials.....	" 153	" 122.	
Drugs and Chemicals	" 123	" 86.	
House Furnishing Goods	" 113	" 70.	
Miscellaneous	" 121	" 95.	

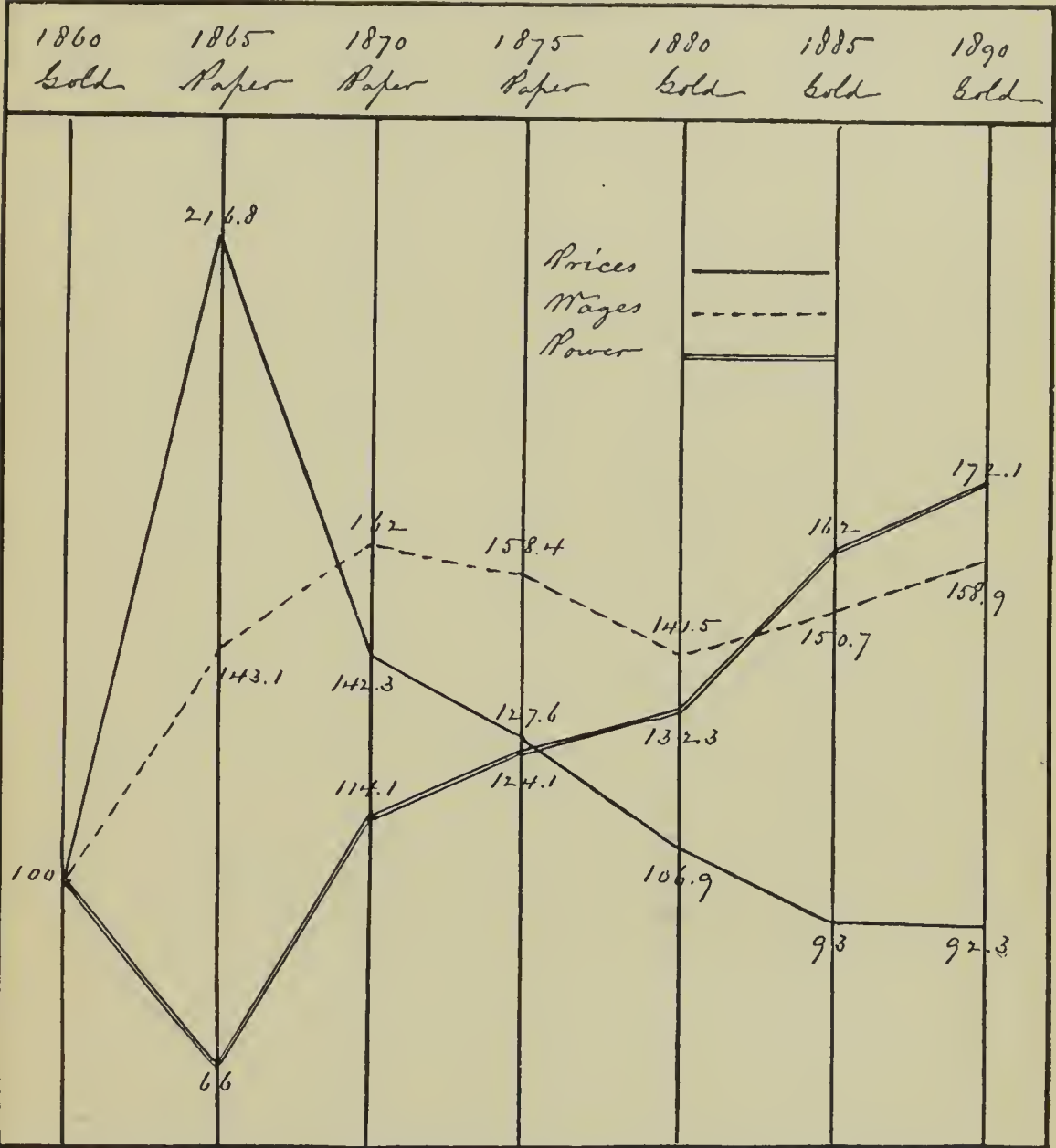
While this great benefit has ensued to the benefit of the farmer in the return from bad fiat money to good money in gold or its equivalent, the benefit to workmen was yet greater. Wages were higher in 1891 in good solid coin made of gold or its equivalent than they had been in bad money. Did manufacturers suffer in this fall in prices of their goods and wares? Witness the evidence which has been very frequently put before us, that up to the date of the silver panic for many, many years the progress of the manufacturers had been so great as to make it a conspicuous period of marked prosperity in the history of their development. Witness all the great extensions of all our workshops and all our factories. That change from bad money to good money had benefited all, although the struggle from 1873 to specie payment on a gold basis in 1879 was so long and so severe.

THE WORKINGMAN'S INTERESTS.

In the diagram on the opposite page you will witness the changes in the ratio of prices and wages, and the rise in the condition of the workman after the gold standard was established clear up to 1890.

If any of you really believe that the silver Senators and their confederates can fool the farmers or that they can fool the workmen into helping them to put good money out of use and to force bad money into use by acts of Congress? If you believe that, you are more credulous than men in your position are apt to be and I think that the creditors of those who are of that way of thinking had better be looking after the security of their loans. That is the way in which I regard the standing of both men and States. If States send representatives of bad money to Congress, the only safe rule is to stop not only the credit of the State, but of every customer that you have in it, unless you know him to be conducting his business on a solid foundation and on a gold basis.

Diagram showing the Course of Prices, Wages, and the Purchasing Power of Wages, 1860 to 1890.



The course of prices shows the average variation from a standpoint of 100 in 1860 computed upon the market prices of over 200 articles.
The course of wages is computed on the general average of mechanical and manufacturing industries.
The data on which this diagram is based are given in the Report of the Finance Committee of the Senate on Prices and Wages for 52 years, compiled under the direction of Commissioner Carroll D. Wright.

THE MAINTENANCE OF CREDIT.

Such a decision to deny a credit not only to States, but to the citizens of States which send advocates of the free coinage of silver to Congress may seem to be a very severe decision, yet it is a perfectly legitimate one. The action on the part of the voters discloses a fact. What is that? It is that the people of that State hold that creditors possess no rights which the law is bound to respect. Where that principle is found, the people are not fit to be trusted. They may be very indignant when held to such a decision, as they often are. I will take a typical example without going into details. The State of Texas is an empire within itself. It exceeds the area of the German Empire by a little patch of land which itself is equal in size to Great Britain. It

possesses an almost unlimited potential in food, fiber, timber and metal, with a varied climate and conditions conducive in nearly all parts of the State to health and vigor. Yet it lags far behind in progress. Why? Simply because for a long term of years acts of the legislature have succeeded each other, all passed upon the idea that the creditor, especially the foreign creditor, possesses no rights which the laws of Texas are bound to respect—alien laws affecting foreign capital, exemption laws subject to such abuse that if a landlord lives in a hotel worth fifty or a hundred thousand dollars that amount of property is exempt from attachment by his creditors because it is his domicile. Who can trust a landlord in Texas for household furniture or crockery or any other supply with any confidence so far as credit rests upon statute law? What wonder that Texas drags along with less than ten thousand (10,000) miles of railway, when an equal area of the middle West with no greater potential in mineral, timber or agriculture is served by over forty thousand (40,000) miles.

Again, witness the ridiculous absurdity on the part of the people of Texas sending representatives to Congress who advocate a policy by which bad money could be forced upon them for their three million bales of cotton, for their beef cattle, for their timber, for their wool for which they now command good money on the gold standard. To my mind, the depth of financial ignorance could no further go than the point to which it has fallen in that great domain of the State of Texas—to whose resources I myself have perhaps called as much attention as any other economic writer. It is difficult to comprehend the delusion to which Texas is now subject in favor of cheap money. The financial history of Texas during her existence as an independent State has been published. It proves that she went through the whole course of depreciated money in a very short term of years, meeting the distress and disaster which always ensues from bad money. She held sternly to the gold standard throughout the Civil War, refusing both the Confederate notes and the greenbacks, while now she has debased her credit, retarded immigration, lessened her power and lags far behind the position which she might hold because her people do not appear to comprehend the simple principles of financial integrity and of a sound and stable currency. Is it not time that intelligent people had learned that where equal rights and equal laws do not protect the creditor as well as the debtor the loss falls on those who might by borrowing rapidly promote the development of great resources? Capital can take care of itself, and will keep out from the State which sends free coinage members to Congress and protects debtors under a policy which, whether wittingly or not, is framed upon the ground that creditors possess no rights which the law of the State is bound to respect.

There may be in each State a few men who can be trusted because their character and standing is better than that of the State in which they live, but they are the exception. The deluded masses of such a State are deprived by those who mislead them of that credit to which the State itself and all its members might be entitled.

I am led to bring up the case of the State of Texas as an example from having carefully read a speech by her youngest member of Congress, Mr. Bailey, given in the House of Representatives on the 12th of February. It is the speech of a sincere man who believes that he is right, but who has not half mastered the subject with which he has grappled. The credit of the whole State is depraved by the good intentions of some of its Senators and Representatives.

Farmers, farm laborers and the converters of their crude products into dressed meats, canned provisions, flour, dairy products and the like numbered

in 1880 at least one-half of the whole working community. Great improvements have been made in all the processes since that date. Larger product has been made with a somewhat lessening number. But it is unquestionably true that very nearly one-half of all who are occupied for gain get their living on farms and in putting the crude products of the farm into their secondary form, in which in the census statistics they are classed as manufactures. This part of the community, with those dependent upon them, are the chief consumers of all our manufactures. When they thrive, the home market is active. When their industry is depressed, the whole home market suffers. For the past ten years not less than fifteen per cent. of the products of agriculture, on the average, have been exported year by year. It is probable that not less than fifteen hundred thousand (1,500,000) of this class of our population depend for the returns from their labor on sales being made freely for export. I think it is probable that the number is nearer two million (2,000,000). A considerable part of the exports consist of cotton, which is in large measure the handicraft of the small cultivator, not like wheat the product of mechanism applied to a large section by a relatively small number of persons. In addition to this export of farm products, the exports of manufactured goods are rapidly increasing, penetrating to every part of the world to the amount of approximately two hundred million dollars (\$200,000,000) a year in the last year. That export, again, has been from the work of two hundred thousand (200,000) persons engaged in manufactures. If we assume an average product of a thousand dollars, which is too large, it is probable that two hundred and fifty to three hundred thousand (250,000 to 300,000) persons occupied in all the various arts and manufactures not included under the head of exports of farm products, depend wholly upon the export demand for the sale of an excess of manufactures which we could not use in this country. As I have said, these goods and wares are penetrating every part of the known world. If the rate of wages governed the cost of all this food, these fibers and these fabrics, not a single dollar's worth could thus be disposed of, and they are all converted into money in terms of gold.

OUR FOREIGN MARKETS.

Where do we find our principal market? When we search for it our attention is again called to the fact that by the application of modern science, invention and machinery the purchasing power of our customers has been increased, and that our best market for almost everything that we export is found among the machine-using nations, where wages, although not as high as they are in this country, are higher than they are in any other part of the world. For the last ten years sixty per cent. (60%) of all our exports have been taken by the United Kingdom of Great Britain and Ireland and her colonies—in the ratio, disregarding fractions, of fifty to ten. France, Germany, Belgium, and Holland have taken twenty-three per cent. (23%), thus leaving only seventeen per cent. (17%) for the rest of the world, of which less than four per cent. (4%) was taken by the whole Continent of South America.

But again, there is one very noticeable fact. These manufacturing or machine-using nations, United Kingdom and Colonies—France, Germany, Belgium and Holland, which buy of us eighty-three per cent. (83%) of our entire exports are all gold standard nations at the present time. I need not dilate on the significance of these facts to such an audience as this. Let us, however, before I close, glance forward in order that we may in some slight measure comprehend the future of this country. I have developed the theory that high wages must be recovered from the sale of products, which are made under the best

conditions by States or nations that are endowed with the greatest natural resources and where the taxation is the lowest. The sources of all profits, wages, earnings and taxes is the product of the nation taken as a whole. We deal with and divide this product in terms of money, but yet money is only the instrument of exchange and the measure of its valuation. The law of progress, developed more and more rapidly in this country for the last fifty years than in any other, has been exemplified by the tendency of profits to a minimum and of wages to a maximum.

I venture to ask you to compare for a moment the conditions of the United States with those of other machine-using or manufacturing nations with whom we compete and whom we also supply with the largest part of our exports of goods and wares of every kind.

VALUATION AND DESTINATION OF THE EXPORTS FROM THE UNITED STATES.

	EXPORTS. 1885 to 1894 inc.	ANNUAL AVERAGE.	Per cent. of Total.	APPROXIMATE POPULATION.
United Kingdom, Great Britain and Ireland.....	\$4,060,133,619	\$406,013,562	51.12	40,000,000
British Colonies and Dependencies..	712,054,131	71,205,413	8.97	10,000,000 300,000,000
France, Germany, Holland and Bel- gium.....	4,772,189,750	477,218,975	60.09	350,000,000
	1,809,533,962	180,953,396	22.78	104,000,000
Russia, Austria, and other European States.....	6,581,723,712	658,172,371	82.87	
	482,379,273	48,237,927	6.07	230,000,000
	7,064,102,985	706,410,293	88.94	
China, Japan, and other Countries in Asia not under British Rule...	116,481,826	11,648,182	1.47	
Africa not under British Control....	6,847,818	684,782	.09	
Hawaiian, Phillipine and Islands not British or Spanish.....	44,348,757	4,434,876	.56	642,000,000
Small Unenumerated Places.....	13,953,245	1,395,324	.17	
	7,245,733,631	724,573,462	91.23	
South America omitting British Guiana.....	295,285,939	29,528,594	3.70	36,000,000
Spanish and French West Indies, Haiti and San Domingo.....	244,755,771	24,475,577	3.08	2,500,000
Mexico.....	113,517,519	11,351,752	1.43	12,000,000
Central America, omitting British Honduras.....	44,053,095	4,405,309	.56	3,500,000
United States.....				70,000,000
	\$7,943,346,955	\$794,334,695	100	1,450,000,000

Authority—Report of 1895, Bureau of Statistics, U. S. Treasury.

Our chief competitors, as well as our largest customers, are the people of Great Britain and Ireland. (In dealing with these facts I shall omit fractions, giving you only round figures.) They number forty million (40,000,000). Their expenditures for national purposes last year were nearly four hundred and sixty million dollars (\$460,000,000), and will this year be in excess of five hundred million dollars (\$500,000,000.) They are deficient in food, timber and in the ores of the metals which they chiefly work. Their supply of ores in Spain for making steel is nearly exhausted. Their coke costs double or triple what coke costs in this country at the oven, owing to the depth and heat of the mines

and the narrowness of the veins. Their standing army and navy in active service numbers two hundred and sixteen thousand (216,000) men.

Our next largest customer and competitor is Germany, with a population of approximately fifty million (50,000,000). The national expenditure for imperial purposes only is two hundred and ninety-five million dollars (\$295,000,000), to which must be added great sums, which I cannot compute, of the expense of kingdoms and duchies, which are of imperial nature, and do not correspond to our State expenditures. Germany is deficient in fuel, in timber and in fibers, and often deficient in food, the greater part of her land being poor. The standing army and navy of Germany exceeds six hundred thousand (600,000) men.

Our next largest customer and our competitor in finer fabrics is France with a population of forty million (40,000,000). France has an abundant supply of food, but is deficient in metals, ores and fibers. Her national expenditures in 1895 were over six hundred and sixty million dollars (\$660,000,000), and have increased. Her standing army and navy numbers over five hundred and fifty thousand (550,000) men.

Dealing with taxation per capita only, our own being now at the rate of five dollars (\$4) per head, that of Great Britain is more than twice that of France more than three times, and that of Germany at least double, while if we were obliged to sustain a standing army and navy in proportion to the burden upon these three countries, it would number nine hundred thousand (900,000) men. The jingo policy points in that direction. But when we compare this burden of national taxation and the average tax of the standing army with the lesser and least production per capita of these countries, as compared to our own, our contribution to the support of the Government is as nothing compared to the increasing burden upon these nations. The cost of our national Government for fifteen or twenty years, aside from pensions, has ranged from two and one-half to three dollars (\$2.50 to \$3) per head, and will not exceed that rate when our debt is paid and the pensions full in.

I need not bring before a Pennsylvania audience the portentous meaning of the passing from Great Britain, France and Germany of the dominant position in the control of the products of iron and steel to this country; yet more fully assured than ever before since the uncovering of a range of the most useful phosphoric iron ores in Virginia and Tennessee, which will give us the control of the basic process of making steel, as we now have the control of the Bessemer.

Among the machine-using nations of the world, in which by way of science and invention the highest wages have been attained, accompanied by the lowest cost of production, the people of the United States now number over seventy million (70,000,000), constituting the only nation which produces within its own area an excess of food, an excess of timber, an excess of all metals, including gold and silver and excepting only tin, an excess of fibers, except silk and wool, the latter soon to be produced in excess upon the Piedmont Plateau and the Cumberland Plateau, as soon as the cur dog has been suppressed.

When the full comprehension of this paramount position of a nation devoted to peace, order and industry comes to its full fruition, I believe that the word may be repeated, which I uttered in 1888, when this glowing picture first came before me amid the figures and statistics which I had compiled, and the notice will be given to the army and debt-burdened people of Europe, disarm or starve.

But until our great resources, our industrial energy and our power of production are adjusted in their distribution to a single, stable and just unit of

value, without contest or question, depression will continue, loss will be incurred, want will increase in the midst of abundance, and we shall deprive ourselves as we are now depriving ourselves at this moment of the benefits which I have attempted to picture by tampering with our own standard or unit of value. Had it not been for the discredit brought upon us by the threat of free coinage, I am of the most profound conviction that the deficiency in the national revenue would have disappeared many months since. Trade would have been active, wages would not have tended downward, as they have of late, and more work would have been waiting for those who possess the skill and industry than the existing force could have supplied. As I glance over the present condition of the country with its ample capital, its great resources, its productive energy, its high wages and its low taxes, I can find no other cause for our existing discredit and uncertainty, our slight deficiency of revenue and all our other difficulties than this issue now joined on the question whether the money of the United States shall be good or bad.

When I submit to you that statement, I believe that I speak in the name of every man of any authority in New England—whether classed with the advocates of protection, of tariff reform, or of free trade, who is not a mere partisan or an unreasoning doctrinaire. I believe that it is the deliberate judgment of the business community, as a whole, that we should have a rest from the uncertainties of tariff changes—that whether the present tariff be better or worse than those which have preceded—time should be given to test it under normal conditions, which can only be attained when this paramount issue between good and bad money has been finally adjudicated. I think I cannot be mistaken in this because my relations are very close, especially with all the leading manufacturers of New England. For myself, I should hardly ask a candidate what course he sustained on the minor issue of protection or free trade—the man who would defend the present standard with the greatest courage and influence would receive my vote in disregard of every other question. When I have announced that conviction, I am sometimes asked how about jingoism, to which I have replied: The folly of jingoism is not to be imputed to any man who possesses influence, courage or authority on any subject. Let jingoism be left to the imbecile and feeble-minded.

I trust and believe that the measures now being taken to keep the control of this issue between good and bad money from becoming the foot-ball of the straddling politicians will be effective. All other questions sink into insignificance. A union of right-minded men is now being organized, as you are well aware, in whose name every candidate for the next Congress will be put to the question. To whichever party he belongs and whatever may be his views on revenue questions, the candidate who stands firmly by the single standard and who will maintain the present lawful unit of value—a dollar made of gold—will receive the vote of every member of the Union for Sound Money or whatever may be its title.

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Each number contains a **special discussion** of some Sound Currency question.

Look at the fix into which government has gotten itself. It is keeping out \$346,000,000 of demand notes. It has enacted a law by which, as fast as they are brought in they are paid out again. This puts the credit of the United States absolutely at the mercy of Wall Street. The Government can beat Wall Street just as any man can beat Wall Street—only by keeping its paper out of Wall Street.

If I buy a coat for \$10, that means that the other man buys \$10 for a coat. Democrats don't believe that government ought to interfere to make me buy one coat when I would prefer to buy another, and no honest man believes that I ought to be made to accept a coat different from the one I have bought. Will some free silver man explain how it is any more honest to make me contract for one kind of dollars when I would prefer another kind, or to make me take silver dollars when I have contracted for gold ones? If it is swindling for you to cheat me at the coat end of the trade, is it any less dishonest for me to swindle you at the money end of the transaction?

If wage earners believe they are getting too high wages, and that this country is suffering in consequence, all they have to do is to take lower wages; or, if they prefer a round-about way, they can favor free coinage of silver, and they will get their wages cut down half without any further trouble on their part; and we will be blessed as are India and China.

“FREE COINAGE” DISSECTED.

JOHN DEWITT WARNER.

	PAGE.
STATUS OF OUR CURRENCY.....	604
FIAT MONEY THE ESSENTIAL QUESTION.....	604
GREENBACK LEGAL TENDERS.....	604
“FREE COINAGE”—FORCED CURRENCY.....	605
BI-METALLISM.....	607
<i>None here now</i>	607
<i>Nor anywhere—nor ever</i>	607
“INTERNATIONAL BI-METALLISM”.....	607
WHY IMPRACTICABLE.....	607
LIMIT OF POWER OF GOVERNMENT.....	609
“TREAT THEM ALIKE”.....	609
REASONS FOR THE USE OF GOLD.....	610
CONSEQUENCES OF “FREE COINAGE” AS PROPOSED.....	610
ON CREDITORS.....	610
ON INTEREST.....	611
ON WAGES.....	611
WHO WOULD MAKE AND WHO WOULD LOSE.....	612
APPRECIATION OF GOLD AND WAGES.....	612
INFLATION OF PRICES AND WAGES.....	612
APPRECIATION OF SILVER AND WAGES.....	613
THE SILVER QUESTION IN A NUTSHELL.....	613
QUANTITY OF MONEY vs QUALITY OF MONEY.....	614
FREE COINAGE UNDEMOCRATIC AND OPPOSED TO FREE TRADE..	615
QUESTION SHOULD BE PROMPTLY SETTLED.....	616

STATUS OF OUR CURRENCY.

For a generation, commencing in 1861, one act of Congress after another has arbitrarily meddled with our currency. The earlier ones were passed to enable government to levy forced loans, later ones were devised to temporize with resulting conditions, to aid the ambition of demagogues, to serve the ends of speculators, to line the pockets of favored classes—and each dragged the treasury ever deeper into affairs with which it had no proper concern. As a result our currency statutes are so voluminous that the average citizen cannot even scan them, and so confused that the government is occasionally re-discovering them; defunct as to their original ends, but virulent under conditions for which they were not planned; and so ambiguous as constantly to raise questions which must be cut rather than solved.

Two results have naturally followed. Our currency has become a “sea of trouble” about which the treasury splashes, and in which our public credit has narrowly escaped being drowned. And our people have come to consider currency questions as fit for experts alone.

If this be true, popular government is a failure. The problem of currency lies at the base of all commerce and at the door of all industry; and the public weal is at the mercy of those who are permitted to solve it. It is fortunate, therefore, that the problem is in reality a simple one. The complexity is in the devices by which, for their own purposes, political financiers have obscured it. The people as a whole are honest and businesslike. What they understand and approve is apt to be right and straight forward. In finance the roundabout and complex is generally bad.

FIAT MONEY THE ESSENTIAL QUESTION.

The Protean shapes which currency bedevilment assumes are but different forms of the one idea—that of Fiat money—interference by government in order to make a man take money that he otherwise would not take, or to make him take it under conditions other than those under which he would naturally take it. It is an attempt to give either fiat currency to money, or a fiat value to currency—a value based upon the command of government, rather than intrinsic worth, as judged by you, of the money which you choose to take. That really sums up one side of the currency question. It is an interference with trade, with the money end of trade, with the one end in which everybody is concerned.

GREENBACK LEGAL TENDERS.

There are three shapes in which of late we have had it sharply before us. One has to do with our greenback issues. In the first place, the greenbacks are immoral. If the government owes anybody and that person will take the demand notes of government, there is no reason—in morals—why the government should not issue those demand notes. But, if the government is so poor that it has nothing else to pay with and its credit is so poor that its creditor cannot use these notes, and the government in order to help him out, compels every other citizen of these United States to accept these notes instead of the gold or silver which he contracted to receive at the time his contract was made, that is robbery, and robbery no less that it is perpetrated under the form of law. Such was our legal tender act. At the time when this law was enacted not a single man claimed that there was any excuse for it, except the fact that the government was in such straits that it must arbitrarily take people's property.

What is wrong for a man to do is wrong for a government to do, and what is wrong for any government to do is wrong for a big government, which is able to force it upon you. Such legislation can have no effect except injustice, because, if the government's credit is good, the law is superfluous. If it is not superfluous, it is because the people would not take government paper unless made to do so; and the result is a government forced loan levied upon them under the pretext of law.

There is another radical fault with the greenback idea which will appeal to everybody who has business experience. Suppose that you are a dry goods dealer, and that you inform a friend that you have gotten a new way to do business, that you are going to get trusted all you possibly can, and give out your demand notes. That friend will tell you that this is the craziest thing you ever attempted, and that you had better make your arrangements to buy for cash as far as possible, and get whatever indebtedness you can't pay now put into long time paper, so that you can take care of it as it matures. "Why," you might say, "I will have to pay interest on that paper." He would tell you that it will be a great deal cheaper for you to pay interest than to be liable at any day, whenever there is the slightest rumor as to your solvency or any tightness in the money market, to have these notes pour in over your counter for payment. Suppose you still hope to find some one who is willing further to trust you, and you pay out those notes again the next day?

It would put you in the power of any man who wanted to break you down and who should buy up your notes and hand them over the counter when you had the least cash to meet them? If a business man is to be independent, he must arrange his paper so that he can meet it when it comes due. Look at the fix into which our government has gotten itself. It is keeping out \$346,000,000 of demand notes. It has enacted a law by which, as fast as they are brought back in, they are paid out again. This puts the government of the United States absolutely at the mercy of Wall Street. If the government didn't have its demand notes outstanding, capitalists could not shake the credit of this government. It can levy taxes, it can pay its debts, it can get on easily enough, provided it does its business in a business-like way. The government can beat Wall Street—just as any man can beat Wall Street—only by keeping its paper out of Wall Street.

"FREE COINAGE"—FORCED CURRENCY.

The "Free Coinage" agitation is another phase of the fiat money movement. "Free Coinage" is a misnomer. The word "free" is simply the livery of heaven which its advocates have stolen in which to serve the devil. Let me explain. If government, appreciating that its citizens use gold and silver as media of exchange, chooses to accommodate them by supplying coins of convenient size and guaranteed weight and fineness, that is all right. It is a good way for the government to serve the people. If it makes no charge or distinction in doing this, but gives anybody who chooses to bring bullion the full amount of that bullion in minted coin, and then leaves each man free to do what he pleases with it, we have free coinage and free commerce, just as free as anything could be. Is that what our silver friends want? No. They appreciate perfectly that this would do them no good. What they want is a law to give forced currency to depreciated silver.

Look at the situation. The law to make people take silver is not asked for by anybody who wants silver. If people want silver, no law is necessary to compel them to take it. It is just because people do not want silver, and will not take it unless they are compelled to, that the free silver people want a law to make them take it. The only people who want the law are, therefore, not those who want silver, but who want to get rid of silver, or who, owing debts payable in gold and thinking they can buy silver more cheaply, want to make their creditors take it instead of the gold they owe.

It is in Nevada, Colorado, Arizona and the other States whose politicians are clamoring for free silver that the people, and even the free silver capitalists, most uniformly hoard gold and take silver only when they cannot help it. The banks of those states hold eight, nine and ten times as much of gold as of silver. Those who borrow of Senator Stewart, the millionaire "free coinage" leader are obliged to make their bonds payable in gold. Indeed, the whole "free coinage" business is an attempt by those who advocate it to make other people take something they don't want themselves. Could a man be engaged in a meaner business?

One cannot blame the free-silver men for getting mad when they are called dishonest. That shows they have somewhat of self-respect left. But what is it they are trying to do? If I buy a coat for \$10, that means that the man who sells it buys \$10 with a coat. Democrats don't believe that government ought to interfere to make me buy one coat when I would prefer to buy another; and no honest man believes that I ought to be made to accept a coat different from the one I have bought. Will some free-silver man explain how it is any more honest to make me contract for one kind of dollars when I would prefer another kind, or to make me accept silver dollars when I have contracted for gold ones? If it is swindling for you to cheat me at the coat end of the trade, is it any less dishonest for me to swindle you at the money end of the transaction?

It may be answered that we would still be free to make special contracts calling for gold if we so preferred. In the first place that is not the proposal of the more radical "friends of silver." Again, if the suggestion has any force, it destroys their own position. For that is just what they can do now in regard to silver. If legislation is to help them it must be such as to make less convenient the use of gold, which commerce prefers; and therefore such as arbitrarily to interfere with commerce.

But the free silver men ask: "Is not a silver dollar as good as a gold dollar, and don't they circulate on even terms? And if so, why shouldn't we extend the bimetalism we now have?" No, a silver dollar is not as good as a gold dollar, and it does not circulate on even terms with it here or anywhere else; and the only reason that bimetalism in this country is not a farce is because it doesn't exist here at all—and never has existed here or anywhere else.

If I go to the Bank of Commerce and ask to have my note at thirty days discounted for \$1,000,000, the polite cashier will explain to me that they have not got the money to loan. Any one knows what that means. If I can get Mr. Vanderbilt to write his name on the back of it, I can take it back to the same bank and it will discount the note at once and hand me the money if I want it. Supposing I had done so, and should brag that the Bank of Commerce had discounted my note for \$1,000,000. Is there a man who would not know better, and who would not be able to tell me that it was Mr. Vanderbilt's indorsement that was discounted, and not my note? Now, a silver dollar has 50 cents worth of silver in it, and under the Sherman act the stamp of the Government gives it a gold indorsement. With that indorsement, it passes for a gold dollar. It is not the 50 cents worth of silver that passes for a dollar; it is the 50 cents worth of silver and the 50 cents of gold indorsement that passes, and I might just as well say that my note was as good as Mr. Vanderbilt's, because, when he had indorsed it, I could get it discounted, as to claim that a silver dollar is as good as a gold dollar just because, when a silver dollar has a gold indorsement, I can pass it on even terms with a gold one.

There is another item which should be noted here. Mr. Vanderbilt is worth a good deal more than \$1,000,000, and it would not hurt his credit even if it were known that he had indorsed my note for that amount. If, however, it was known that he had written his name across the backs of a number of blank notes, and had given them to me to be filled out and signed by me as I might see fit, his credit would be gone, and his indorsement would be worth no more than mine. Just so with our silver currency. Our Government is a wealthy one, and the fact that it has put a gold indorsement upon nearly a thousand millions of fiat paper and depreciated silver has not yet destroyed its credit—though we have all seen how nearly it did. Free silver, however, means either that we shall go to a silver basis at once, or that the Government shall put a gold indorsement upon all the silver that anybody in the world now or hereafter chooses to bring it. The moment such a law was passed its credit would be no better than that of Mr. Vanderbilt, who had trusted me with his check book; and we would be on a silver basis notwithstanding.

BIMETALLISM.

None Here Now—Nor Anywhere—Nor Ever.

“Bimetalism” is simply a third phase of the fiat idea—an attempt to prescribe by law the rate at which men shall value one metal when compared with another. It has never existed, and never can exist, except while the two metals remain at the same commercial value when compared with each other, as that expressed by the ratio fixed by law—something that never occurs except by chance, and never continues—ever by chance—for any considerable time.

The result of every attempt at bimetalism is monometallism of the cheaper metal, with the dearer metal driven out of circulation. There is nothing occult about the way this works. If you owed \$50 and you could pay it with coins which you could buy for \$50 or less, would you pay it instead with coins that would cost you, or that you could sell for, \$55 or \$60? Ordinarily not. Do you know anybody else who would do so? Unless men are foolish enough to use the dearer money, when the cheaper will serve them just as well, the cheaper metal will be the only one used.

This is not merely in accord with reason, but with universal experience. In 1792 our forefathers, noting that business men used silver coins and gold coins, arranged to meet their convenience by minting them, and adopted a ratio between gold and silver, which they found to be that of commerce. The law had hardly been enacted before the commercial ratio changed, so that, at the ratio provided, silver was the cheaper of the two metals—and the result was that, with theoretical bimetalism in the law, we actually had silver monometallism until 1834. At that time the ratio was so changed as to make gold the cheaper metal; and we have had gold monometallism ever since—silver having been circulated only to the extent that it has had a gold indorsement. England has had the same experience, and so has France. There has never been actual bimetalism anywhere; and there never can be any until there shall grow up men so generous or so foolish as to use the dearer instead of the cheaper of two metals for paying their debts.

INTERNATIONAL BIMETALLISM.

WHY IMPRACTICABLE.

International bimetalism is no more practicable than National bimetalism. So long as you leave business men free, they are no more likely to pay their debts in dear coins when they can get cheap coins—just because ten countries have made a law—than they are just because one country has done so.

The advocates of international bimetalism are in the main divided into two classes: *First*, the large class who seem to have agreed upon international bimetalism as a dignified part of the fence upon which to sit until they are prepared to get down on one side or the other; and, *second*, those who assume, without stopping to think, that international bimetalism involves the concert of the great nations of the world in a scheme something like the Sherman pig silver purchase act.

Of course if they chose to do as we did between 1890 and 1893—actually purchase and store away an enormous amount of silver, they could actually raise the price of silver, until its production caught up with the abnormal demand thereby created—though what would happen when this occurred, and the assembled government found themselves loaded with an almost incalculable mass of depreciated silver, which they could not use without setting free, and the setting free of which would break the silver market for a generation, no one can predict.

The fact is that international bimetalism involves nothing of the sort, but rather an agreement upon the value ratio between gold and silver—say 16 to 1—and, opening the mints, free coinage of both metals at such ratio. This would have no more effect upon the commercial ratio between silver and gold than would similar action with regard to

wheat and barley, or cotton and silk. Demand and supply would still control the price of the metals and fix their commercial ratio with reference to each other. The mere privilege of using either one of two metals in which to pay a debt would never be availed of by anyone except by the invariable choice of the cheaper metal. International bimetallism must be a dead letter if it does not change the relation of supply and demand.

It could do this by adding to the supply of gold—for example, by subsidizing gold mining, or by decreasing the supply of silver—say by heavily taxing silver mining, or by buying up and hoarding at a constantly increasing cost enough silver to keep the market cornered. Or men might be forced to use silver when it would be more convenient for them to use gold—one plan sometimes tried having been to impose a penalty upon anybody who used or had in his possession more than a certain amount of gold. But neither these nor other effective alternatives seem likely to be tolerated for a moment in this age of comparative enlightenment and freedom. International bimetalism, therefore, is not apt ever to have a more actual existence than in the past—which is not at all.

There are, however, a few bimetallists who argue thus: "If several strong governments at once should open their mints to the free coinage of silver at some fixed ratio with gold, and make the two metals unlimited legal tender at the ratio thus fixed, then the world's stock of unminted silver would become, potentially, so much coin. This would be equivalent to a demand at coinage rates for all the silver in the world, and would thus raise the price of silver as compared with gold to the coinage ratio."

It is true that the world's legal tender currency would thus be reduced to a silver basis, so that silver could always be said to be at par, no matter how much it depreciated—just as with our greenback legal tenders during the war. But it is not true that gold would then be circulated at coinage par, or that it would be rated any more cheaply than now when compared with silver, or that there would thus be created any new demand for silver that would make it worth more than now when compared with gold.

To be effectual the new demand must be such as will actually furnish an additional market for the actual silver. It cannot be expected that individuals will do this. They certainly will not do so unless they actually want more silver for use; and it must be remembered that commerce has long been discarding the actual use of silver as a medium for payments—as well in double standard countries and silver standard countries as in gold standard ones, and as well when silver was undervalued as when it was overvalued. The reduction of the world's legal tender currency to a silver standard would no more induce people to keep hoards of silver or to use silver when it was not convenient than would the sale of flour by the hundred-weight instead of the barrel create a new market for small bags and casks. The governments themselves could, to be sure, create a demand for silver at coinage rates in gold, but only by giving gold for silver at that rate until by their purchases of silver on this basis they had so cornered the silver market as to have raised the gold price of silver to coinage par. But this is not proposed, and, as noted above, would soon prove ruinous if tried. Any thing less would result in monometallism with the cheaper metal as the standard—actually used, just as now, only in comparatively small transactions; while gold would remain, just as now, the standard by which the world's commerce would be regulated and the medium in which wealth would be stored and by which it would be transferred.

In less civilized times, the refusal of governments to mint gold except at an arbitrary ratio when compared with silver might slightly have obstructed this course; but commerce has become so indifferent to the aid of law that, from the United States Treasury down, an increasing proportion of the gold that is accounted for in dollars is left in gold bars for the sake of convenience, and gold contracts are becoming the rule in all considerable transactions throughout the world, without reference to local law.

On another point in this connection I quote from Ex-Secretary of the Treasury, Hon Charles S. Fairchild:—

LIMIT OF THE POWER OF GOVERNMENT.

Let us look for one moment to see what Government can do about money. Suppose you go to the mint with a lump of silver or gold. What can the Government do to that? It can put it in the form of a coin and call it a dollar. That means that it contains so many grains of gold or so many grains of pure silver with so much alloy. That is what the stamp means, and it does not mean anything else. Now, that thing, so far, has added no value whatever to the lump of silver or gold that you took there, except that it has made it a little more convenient for men to use, and, therefore, if you had your choice between a lump of silver unstamped and a lump of silver or gold stamped, you would take the stamped one, because it would be a little more convenient. Experience has shown that mankind would not allow a difference of but a very few grains in deciding him as to whether he shall take the thing unstamped or stamped. That little stamp was of almost infinitesimally small value as to determining the choice of man, as to whether he would take the thing with the stamp or without the stamp.

Now, the other thing that it can do: It can make that piece of money a legal tender for the payment of debts. Now, that seems at first blush to be a thing that would give it a great deal of value. Experience has shown that it has not had that effect. Almost all legal-tender moneys have had behind them the credit of the Government issuing them, but when the credit of the Government issuing those moneys was gone we found that the moneys became utterly worthless, although the legal-tender quality was still there. Now, what did that legal-tender quality enable those moneys to do? It enabled them to pay past debts; nothing else. Yet it would seem to us as if past debts must be so large that the power to pay them would give a great value to substance that is endowed with that power, but history has shown that money endowed with that power, has become utterly valueless.

We have been led to believe that Government had some almighty power to imbue a thing with the quality of paying past debts. Yet we find by statistics that cannot be questioned that in no year did more than 4 per cent. of the transactions of that year consist of the payment of debts that antedated that year. You see what an infinitely small quantity this thing must become by demonstration in value-giving power.

If such a great and powerful Government as was the Government of France after the Revolution was not able to give any power to its paper money when the credit of the Government was gone, then how can we say that any combination of Governments can multiply nothing by something and have anything but nothing left. I don't think it is worth while to be deluding ourselves with any notion of this kind. If I believed that any half dozen Governments of the world could do this, if I believed it was proper that this should be done, then I think I should be in favor of free silver, because I would be impressed by the argument that this was a great and powerful country, and it could come pretty near doing alone that which half a dozen countries combined could do.

Of course, if government coerces people, it can make them do things. But no one proposes that. Or, government can obstruct commerce. If the government says gold shall not be paid to people who want it by people who have agreed to pay it, then, I grant you, you could largely drive gold out of circulation; and you could in the same way demoralize business in this or any other country. But no one proposes this; and, so long as people are not coerced and commerce is not obstructed, the commerce that prefers gold now will prefer it then. There would not be one dollar's more demand made for silver, unless you arbitrarily interfered and obstructed men in getting the gold; and, until you want to commit government to that tyranny, there is no use in bothering about international bimetallism.

Even if we could bring it about it ought not to be done. If it is right for government to interfere to raise the price of a commodity, or to compel people or to induce people to take money that they otherwise would not take, it is right, whether England or Germany or France join in it or do not. If it is right and it is beneficent, we ought to be at work at it, we ought to do everything we can toward it, we ought to be planning to exert just as much influence as this country can command, in order to bring about that beneficent condition of things. But, if it is wrong or, if it is foolish, then it does not become any the less so because we have gone into partnership with others sinners or fools; and we ought not to be a party to such a scheme, who ever proposes it.

"TREAT THEM ALIKE."

Our silver friends appeal to us to treat gold and silver alike. We should treat men alike, and let each do what he pleases with the gold or silver he has. It is claimed

that gold is a legal tender. That is true. It is not true, however, that it is worth **any** more on that account. As a matter of fact, bar gold, which is not legal tender at all, **is** worth more to-day than is the same amount of gold in gold coins, which are legal tenders. Commerce uses gold because it prefers it, not because of the law. It would use it just the same if there were no law. The law, as it stands, is therefore immaterial. Commerce has repudiated silver as a measure of values. It does not use it simply because it does not like it. A law to force silver into use would, therefore, be tyrannical and an arbitrary interference with commerce.

REASONS FOR THE USE OF GOLD.

The preference of commerce for gold is not a matter of right or wrong ; it is a matter of fact. People who do business have a right to do it in the way that suits them best, and commerce has found gold most convenient ; that is all. There is so little of it in existence that a small quantity contains a great deal of wealth. That makes it convenient to use and transport. It is easily divisible and almost indestructible. That makes it handy to use, and leaves the world's stock at any time practically all that has been mined in the centuries before, so that it is subject to only very slight variation by the increase or decrease of production in any one year or within a short period, and, therefore, is comparatively stable in value. And the fact that the supply is thus stable and that it is easily transported and is indestructible tends to keep it the same value all over the world. All these things do not make gold perfect for purposes of currency, but they do make it more perfect than is the case with any other metal. This becomes more and more so as our commerce becomes more and more of international rather than of local character. It is, therefore, perfectly easy to understand why silver has been so generally discarded as a measure of value, and why it would be foolish to try to reinstate it.

A good deal of complaint is made as to the small amount of gold in the world. It is the very fact that gold is found only in small amounts that makes it so desirable for currency. If it was as abundant as iron it would be as unavailable as iron for money purposes. As to the comparative quantity : There has not been five years since 1850 when there has not been a much larger amount of gold in the world in proportion to the necessity for its use than there was in the preceding five years. And there is more to-day, in proportion of the necessity for its use for business than there ever was before.

The silver people keep charging that gold is appreciating. This may be so, but I doubt it. And taking the one commodity of most importance to man, of which the greatest amount is bought and sold every day in every part of the world—man's labor—I find that, measured by it, gold has been steadily growing cheaper and is to-day cheaper than it was ten years ago. Such being the case, it seems to me probable, not that gold is appreciating, but that inventions and improvement of transport and communication have cheapened nearly everything else. But suppose gold has appreciated. Is that **an** evil to be stopped by law ? When cotton goes up, do we pass laws to keep it down ? When the price of wheat is high, do we ask Congress to make it low ? Is it our business to interfere by law with the natural course of prices ? No Democrat at least **can** consent to go into that business.

CONSEQUENCES OF FREE COINAGE AS PROPOSED.

ON CREDITORS.

Suppose our free-silver friends had their way. What would be the result ? Every man to whom a dollar is now due would be compelled to accept half of what there **is** to-day coming to him. Is there any way to keep that from colliding with the Ten **Com-**mandments ? I know they talk a great deal about the man who contracted a debt twenty

years ago and who now finds that it takes more wheat or cotton to pay it. That is not the real question. The first question is, What has he agreed to do? and whether, just because he finds it hard to keep his agreement, he shall be allowed to break it? Again, if wheat and cotton are cheap to-day, it is because that, take the world over, wheat and cotton are produced and transported more cheaply than they were twenty years ago. Does he propose that the world stop and adjust its business affairs to his own failure to keep up with its progress?

Again, every one knows that the great bulk of all the credits in this country to-day are not those which date twenty years back, or ten years back, or five years back, but are in the main the current accounts between man and man of transactions during the last year or two. Even if it were fair to interfere by law to adjust the hardship of a single debtor in his relations with his creditors of twenty years' standing, is it fair to permit by law twenty debtors on last year's transactions to swindle twenty creditors in order that one debtor may be coddled?

INTEREST.

The readers of this do not need to have it explained that business activity depends in large measure upon a low rate of interest, which is the most conclusive proof of plenty of money to be loaned. If I can get capital at 4 per cent. a year, I may build a factory and employ hands and carry on an industry successfully and with profit to myself, where if I had to pay 6 or 7 per cent. for the money, or could not borrow it at all, I might be unable to do so, and the factory would remain unbuilt and the labor unemployed. How are we to have interest cheap and money abundant? Capitalists are no worse than other men. But they are no better. They are just like yourselves. What would you do? Suppose there were a lot of men who advocated the passage of a law that, after you had loaned out money on gold values, would force you to accept silver values in return—would you be in a hurry to lend money? Would you not rather keep it locked up in a trust company or else loan it only at high interest and for short terms? And then, if this agitation stopped and every one became satisfied that there would be no interference with the standard of values, and that capital when loaned out would be safe and would be repaid in money as good as loaned, would not you—would not every capitalist—be prompt to offer to loan his funds at interest, however low, rather than let them remain idle?

This country to day affords an object lesson of this. In those parts of the country where the people believe that our currency is safe and that no change in its standard is likely to take place, plenty of money can be had at four and five per cent., while in those parts of the country in which the people are confident that free-coinage legislation will be had, and that a loan made for any long time ahead may be repaid in depreciated silver, there is scarcely a place where you can borrow money on very long time at all, except on gold contracts, or even on short time, at less rates than six or eight per cent. Free silver would not add a dollar to the real wealth of the West or South. But the apprehension of it has kept from those sections of the country the millions upon millions of capital that, had they been invested there, might have made such prosperity as the world has not seen since the sun shone upon Eden.

WAGES.

And last, what would be the effect upon wages? To the precise extent by which free coinage permits the depreciation of the currency in which wages are paid, to that extent it effectually reduces them, although they may still remain nominally at the same amount. If the workingmen of this country are prepared for such a change, there is one consolation; they have the votes, and the matter is in their hands. If they do not believe in thus sacrificing themselves in behalf of those who are seeking a new way to pay old debts, they can keep any such scheme from being successful.

WHO WOULD MAKE AND WHO WOULD LOSE.

If we went to a silver basis, as we should do if we had free coinage, the men who would profit are bankers, who own the gold, which they would hoard, and would be permitted to pay their depositors in depreciated silver. It would be their depositors who, having deposited money as good as gold, would be forced to accept depreciated silver instead. The insurance companies would profit, whose thousands of millions of investments are so largely in mortgages, by their terms made payable in gold. The widow and the orphan would suffer by having their policies paid in silver, whose purchasing price would be only one-half as much as the gold that they would otherwise receive. The capitalist employer, with his investments in lands, in factories, and every class of wealth, would see it double in price upon his lands almost at once. His employe would be paid the same wages he now receives in a currency which would buy only half as much, until, after years had passed in the slow readjustment of wages, he might have secured somewhat more of his rights.

APPRECIATION OF GOLD AND WAGES.

In this connection there is one point that I wish somewhat to dwell upon. Suppose that gold has appreciated, what is the effect of this upon our wage earners, the majority of our voters? Take your daily papers and look at wholesale prices of goods and food. You will find that they change daily and sometimes repeatedly within the day. As to retail prices, you know—or, if you don't, your wife does—that they change pretty often, in some things every month or so, and in some things every week or two. Now, take wages. You know that changes are comparatively rare, generally not more than once or twice a year, and often only once in two or three years. What does that mean? It means that the price of labor is more conservative than are the prices of goods that labor buys—hence, that if our currency is appreciating so as to make a dollar buy more goods, there will be weeks, months, perhaps years, during which, while wages have not changed, a man will be able to buy more with them. In other words, the appreciation of gold, so long as wages are paid on a gold standard, means that every laborer gets more and more for the same amount of wages. And to the precise extent that you prove that the course of events of late years has been the appreciation of gold and the cheapening of prices in consequence, to that precise extent do you prove that the laboring man has been gaining more and more by the difference, and that it has come out of the manufacturer and capitalist.

INFLATION OF PRICES AND WAGES.

Take the opposite case. I have no doubt that free-silver legislation would in a measure accomplish what its friends claim—that is, soon raise the price of everything that is bought to nearly if not quite double their present rate. Do any of you imagine that your wages would be doubled at once? Don't you know that you would wait months and years for the slow process or readjustment by strikes and lock-outs before your wages would finally be raised in proportion.

With the wage earner, therefore, the free-silver case stands thus: The appreciation of gold, of which the free-silver people complain, is the very process that will give him more and more for the wages he gets and, therefore, practically increase his wages. The inflation of prices that the silver men are fighting for is the very thing that will reduce the purchasing power of the wages he gets, and will thus decrease his wages. Do not understand that I claim that we should oppose free coinage and welcome the appreciation of gold just because it secures higher wages to labor. I am opposed to free coinage because I believe it to be wrong. At the same time it is proper that all should understand just what would be its effect. It may be that wages are too high in this country now. Personally, I do not believe such to be the case. If they

are too high, however, and it is desirable that they should be cut down, then let us have that issue frankly stated. But let not our free-coinage friends clamor for legislation the first effect of which would be to reduce by one-half the wages that each laboring man receives, and at the same time invite laboring men to vote for such a programme without telling them what the real effect would be.

I confess that I am one of those who are glad to see the prices of things becoming cheaper and cheaper, so that the laboring man can buy more and more with every dollar that he receives. I have no sympathy with those who, by a tariff law or a silver law or private trusts or combinations, are continually endeavoring to raise prices of the goods that labor has to buy. I have no more sympathy for the men who are working to day to bring about high prices of clothes and food than had the Prophet Amos with the inflationists of his day, whom he cursed so thoroughly that the world ever since then has rung with his maledictions. You remember how he described them—it strikes me that his words would well befit the present situation—as he told of the men of his day, who lay awake nights, thinking how they might make corners in food and put up prices—“making the ephah small and the shekel great”—that is, making the poor pay more for their flour—and, as he put it, “falsifying the balances by deceit,” that they might “buy the poor for silver and the needy with a pair of shoes; yea, and sell the refuse of the wheat.”

APPRECIATION OF SILVER AND WAGES.

“Well, they say, “why would it not be a good thing to have appreciation of silver.” Why? If the laboring men of this country wanted to sell silver or were being paid in silver, there might be some sense in it. But the laboring men of this country are being paid in gold, not silver. What I mean is this: You take a silver dollar. There is fifty cents worth of silver in it. You stamp the government’s indorsement upon it. It then passes for a dollar, because the government’s indorsement says: “Redeemable in gold.” So that our laborers are now getting paid in gold values. What good does it do a man who doesn’t own silver, who doesn’t sell silver, who gets paid in gold values, to have silver cost more?

THE SILVER QUESTION IN A NUTSHELL.

But there is another way to look at it. We have seen how appreciation of gold means higher wages to the laborer. Now let me show you what this so-called appreciation of silver means. I shortly since heard a very pleasant gentleman, Mr. Cannon, a delegate in the next Congress from Utah, expound the silver side of the free silver question: and he went on to explain, first, that prices of goods were low here because they were measured in gold, and then that, on account of our wages here being paid in gold—which was costly—and wages in India, China and Japan being paid in silver—which wasn’t worth only one-half what it had been—they had a fifty per cent. advantage, and that therefore there was great danger of manufacturers being driven from the world’s markets. Do you see what that means? That their wages are so much lower than ours, on account of the appreciation of gold here, that, unless our wages are made equivalent to theirs in that respect at least—unless prices are inflated here in this country so that our gold wages will buy no more than their silver wages, their labor will tend to drive our labor out. In other words, the proposition to appreciate silver is practically a proposition to cut the wages of the laborers of this country squarely in half, in order to increase the profits of their employers.

Three months ago, though I should have argued this—for I believe it to be true—I should not have ventured to state that it was the serious contention of the free-silver advocates. But I have not merely heard it put forcibly by the gentleman I have mentioned as speaking for that cause, but I have it in another statement. Sir Henry

Meysey Thompson is one of the leading silver advocates. He offered a large prize for a man who would write the best essay, explaining how it was that China and India and other silver-using countries were getting an advantage over England, and a great many people competed for that prize. Mr. Jamieson, the British consul at Shanghai, wrote so good a paper that he was awarded the prize; and that essay is now the chief stock in trade of the British agitation for the restoration of silver. Now let me read you something from it. Sir Henry Meysey Thompson is proud of it. Here it is: "Wages in the gold-using countries have, through the appreciation of gold, become 100 per cent. dearer than they were relatively to silver wages; and the manufacturer in the silver-standard countries can obtain his labor at half the cost which he formerly paid." Hence, "while old-established industries in England are barely paying expenses, new industries in India are arising broadcast, and paying handsomely." And the remedy proposed by silver advocates in England is to correct this appreciation of gold, and raise prices, so that the British workman, though getting the same nominal wages, will get only half the real wages he gets now, and the British manufacturer thus be enabled to compete with the Indian manufacturer.

A similar view is taken by Señor Romero, the Mexican Minister at Washington, in his article in the *North American Review* for June, 1895, when he asserts that the depreciation of silver has favored Mexican capitalists by lowering the actual wages of their employees.

There is the silver question in a nutshell. It is simply the question as to whether our wage-earners are getting too high wages. They may as well face the question. If wage-earners believe they are getting too high wages, and that this country is suffering in consequence, all they have to do is to take lower wages; or, if they prefer a roundabout way, they can favor free coinage of silver, and they will get their wages cut down half without any further trouble on their part; and we will be blessed, as are India and China.

QUANTITY OF MONEY VS. QUALITY OF MONEY.

It is, however, urged that an additional supply of money will so stimulate business as to bring better times for the wage-earner, as well as for every one else, even if we do have inflated prices. But in nothing is human experience better agreed than in the conclusion that, provided the standard is maintained, prosperity and business activity and even the effectual supply of currency depend upon confidence in the quality rather than in the quantity of circulating coin or notes. I quote again from Mr. Fairchild:

"They say that the amount of money regulates prices. Does it have any great effect upon prices if it is good money?"

"All the time we hear, and I believe it is uncontradicted, that about 5 per cent. of all the transactions of the people of this country are made in money. All the rest of the transactions are made with the other media—checks, notes, and all kinds of things. If this is true, suppose we could double the amount of money in an instant, what would we have done? We would have doubled 5 per cent. of the whole. What would we have added? We would have added 5 per cent. to the whole. In a thousand dollars what would we have added? We would have added \$50. But suppose in adding that \$50 you have disturbed the minds of men so that the other 95 per cent. was diminished, as has been done from time to time, during the last few years; suppose you apply your percentage to \$950,000, and cut that in two, owing to the uncertainty you have created in the minds of men as to the quality of their money; suppose you have only affected it by 10 per cent.—what is the result? Why, you have diminished that by \$95, and when you come to add the \$50 that you have credited by doubling your money and deduct your \$95, you will find that you are \$45 worse off than when you started. You are 4 1-5 per cent. worse off so far as the circulating medium that really transacts your affairs is concerned. That is one of the great reasons why we find these great disturbances in business when men tamper with the currency.

"I have given this illustration in answer to the assertion that the amount of money regulated prices, because some money is necessary in our transactions. True, some money is necessary still, because we have not yet reduced our methods of business to such a complete system that we settle everything by accounts.

"Yes, so is some grease on the axle of a wagon necessary in order to move it any great dis-

tance at any speed, because man has not yet succeeded in making an axle on which the wheel will revolve entirely without friction. I say, we can say with equal truth as to my wagon, that because some grease is necessary on the axle, therefore the amount of grease fixes the cost of moving a ton of freight. You say that it is an absurdity ; it is not true.

"The more I have thought upon this question, the more profoundly impressed I am that more people are concerned in the quality of the money, of actual money, than is its quantity. Now, we have had an interesting illustration of that in the United States in the last six months. You remember in January the great alarm that was felt in our business circles. You remember that prices were falling, and that there was distress in the commercial and industrial centers of every kind. What was the trouble? The trouble was that mankind had come to doubt the quality of the money of the United States. Quality was the question. Now, what was done? The Government took steps to sell bonds and take into the Treasury of the United States the money which should be the product of those bonds. The inevitable result of that was to diminish the quantity of money that would be in circulation among the people of this country. The other obvious effect was to improve the quality of the money of the people of this country and to remove the doubts that had arisen in the minds of the people, not only of this country, but of the whole world, as to its future quality.

"That is what was done by that bond transaction. In January an improvement on the quality of our money was accomplished at the expense of the quantity in circulation. What was the result? Prices have been going up ever since, confidence has been restored, and it looks as if we were at the beginning of another grand era of prosperity."

"FREE COINAGE" UNDEMOCRATIC.

How a free trade Democrat can favor free coinage is too deep for me. It is clamored for by men who have silver and want to get rid of it, or who owe people gold, and, when those people don't want silver, want to make them take silver instead. That is the worst kind of protection. Protection by a tariff is to make you buy goods of one man as distinguished from another, to make you buy certain goods as distinguished from other goods which you might, under the circumstances—price, and so on—prefer. Now, there are two ends to every transaction; and, generally speaking, the other end to the delivery of goods is the payment of money. It is the same kind of protection and the same kind of tyranny to meddle with the dollars that you shall take, whether you want them or not, as to meddle with the coat that I shall take, whether I want it or not. There is no difference between the two. The present movement for free silver, so called, is not a movement for free coinage of silver at all. It is not a movement to enable people to get silver who want to. It is a movement to "protect" silver—to make you take silver when otherwise you wouldn't do it.

Nowhere more generally than among free traders is it stated and admitted that all trade is barter, that money is only the medium of exchange. That is a generally admitted fact by free traders and protectionists alike. It does not mean that we don't know how exchanges are made. We do. They are made first into money, and then from money into the goods that we get, either immediately or mediately, in return for money. In other words, money is the medium through which what we sell becomes converted into what we buy. We insist upon freedom of trade. We say we have a right to sell where we can sell most advantageously, and a right to buy where we can buy most cheaply, and that this is a sacred right that the Government must not interfere with. But is it not a farce to talk about free trade, when you have money between the two ends of every barter, if Government interferes from day to day with that money? You can have all the "free trade" you please; and, if you will only allow me to manipulate the money that stands between the ends of the trade, I will soon put all the money—and goods, too, for that matter—at whichever end you say, and there will be no thimblery about it, either. That is why it is incomprehensible to me that the man who favors free trade should for a moment favor interference by government with the medium of trade. You cannot have free trade unless you leave trade free—from the article you sell straight through to the article you buy straight through the medium you use.

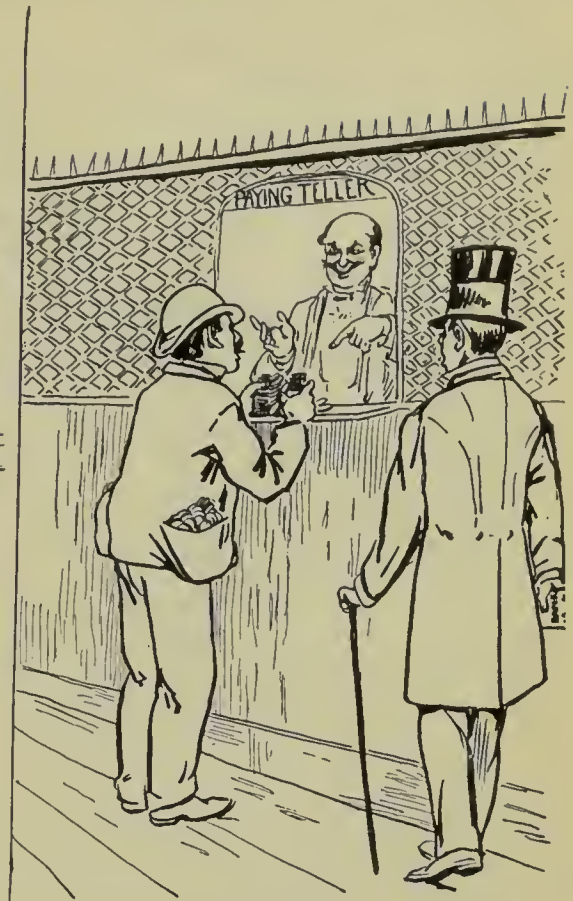
QUESTION SHOULD BE SETTLED PROMPTLY.

For the time being the currency question, like Aaron's rod, has swallowed up all other political issues. It will continue to engross public attention until it is settled, and settled rightly. But that is not all. It is of almost equal importance that it be settled promptly. Indeed, were it simply a question of the present agitation continuing for a couple of years or of suffering the damage and gaining the experience that would come from the prompt trial of free coinage and repentance therefrom, I verily believe the latter would be the less disastrous. If every creditor in this country should lose the amount coming to him—demoralizing as such an experience would be—there would be no property destroyed; and if there were confidence that the procedure would not be repeated, very few would starve or freeze to death, business would go ahead, and our people would work and thrive. So long, however, as uncertainty continues, so long as capitalists are afraid to loan funds for fear that repayment will be made them in cheap money, there will continue a partial paralysis that clogs every wheel of industry, that impedes every enterprise which would employ labor or develop the country, and that leaves out of work a great proportion of those who otherwise would be steadily and profitably employed. All the blessings of which the free-coinage advocates dream would be far less than those of the prosperity which, in two years after uncertainty is ended, will have been shared by our people. All the disasters of free coinage would be less, could they be promptly realized, than the losses of a couple of years more of continuous obstruction of our business enterprises by free-coinage agitation.

To fight for sound money should be easy for a Democrat. Sound money has always been among the principles for which have battled in the past Jefferson and Jackson and Tilden, and in the fight on behalf of which Cleveland is leading to-day. Not merely this, but the form which the issue now takes is just the one which can leave no real Democrat in any doubt as to what must be his position. It is a Democratic principle that a man should be left free to make his contracts on the terms he thinks best, and that the law should intervene only to make men stand by their contracts. Free coinage of silver proposes to interfere with every contract and to help every debtor to break the contracts he has already made. Democracy is pledged to oppose arbitrary interference by Government. Free coinage involves the most pestiferous interference possible.

This issue must be met by prompt repudiation of the undemocratic notion that Government should constantly interfere with our standards of value, and by prompt assertion of the Democratic principle that Government should mind its own business and let others do the same. In the light of our experience with fiat money legislation, from the greenback to the Sherman pig-silver certificates, this long-suffering country will finally learn that wealth is not created by fiat, but is made by labor; that the law can put no dollar into any man's pocket unless it first take it from the pocket of some other man, and that wage earners are first and most interested in opposing interferences by law. There has never yet been made a law to put into any laboring man's pocket a single dollar that he did not earn. He of all men, therefore, has the best right to insist that there shall be no law passed that will raise the price of what he has to buy, and thus take from him some portion of what he has earned.

Every man for his own, and God help us all, is the Democratic motto. Each living on his neighbor, and the Devil take the hindmost, is the free-silver doctrine.



Which would be the more honest ?

CUSTOMER—But that is not the suit I ordered. It is not worth half as much.

TAILOR—The law has been changed, sir. You will have to accept it.

DEPOSITOR—This is not such money as I deposited. It is not worth half as much.

PAYING TELLER—Oh, that's all right; the law's been changed, you know, and you will have to accept it. See ?

THE UNJUST STEWARD.



[See Luke XVI, 1—6.]

FIVE LITTLE PIGS.



This little pig went to market.



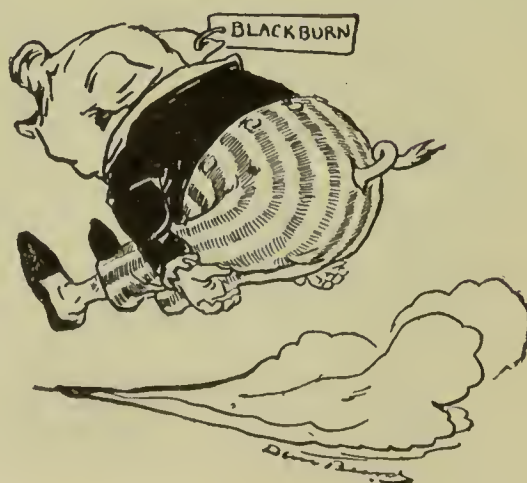
This little pig stayed at home.



This little pig got roast beef.



This little pig got none.



This little pig cried "Wee, wee," all the way home.

INDEX.

- Abrasion**—U.S. gold coins, 13; loss to Germany by, 86.
- Accumulation of gold by Europe**, 161, 517, 521-22.
- Act of 1873**, 12, 127-130; comments on 398, 412-14, 464, 465, full history of, 115-127; vote on, 122; debate in Congress, 120-123.
- Adjustment of prices**, 357, 362.
- Africa**—Gambia, Sierra Leone, Gold Coast, currency, 85.
- Alabama**—State Bank of, 238-240.
- Aldrich report**, 74.
- Allison (Bland) Act**, 18, 107, 403-404, 416, 461.
- Alloy**—Definition, 100; coins, 3, 6, 11-13; gold charge 82, 101.
- Amos**, the prophet, on inflation, 613.
- Andrews, Pres. E. B.**—Theory of Bimetallism, 585.
- Appreciation of gold**, 73, 389, 457, 504; Warner on, 610.
- Appreciation of silver**, 613.
- Appreciation of our standard**, 499.
- Appropriation for silver purchases**, 107.
- Argentine Republic**—Money system, 95; banking system, 202; production of wheat, 462.
- Arkansas**, State Banks of, 245-249.
- Assessments**—Canadian banks for safety fund, 218, 219, 316; New York banks, 299; proposed, 175, 178, 179.
- Assets**—Canada circulating notes first charge, 312; difficulty in N. Y. in disposing of, 295.
- Assignats**, French, 153, 472.
- Australia**—Banking System, 202; gold discoveries, 461; coinage 64.
- Austria-Hungary**—Banking system, 194; coinage, 64; monetary system, 86; stock of money, 96; paper currency, 86, 139; resumption, 213; suspension of silver coinage.
- Atkinson, Edward**—"The Money of the Nation," 583-602.
- Bailey, Congressman**—On silver, 598.
- Balfour, Arthur**—On bimetallism, 578, 585.
- Bank (General)**—Balances, 377; capital not to be advanced by a, 331; currency, 344; danger from inflation, 312; debtors of a, 336; failures in Canada, 312; influence of exchange, 441; issue of paper, 376; obligations of, 375; operations of, 326; private bankers, 332; see also *Banking* and *Banking Systems*.
- Bank (Specific)**, 254; of Canada, 311, 312; Boston, 278, 279; of Denmark, 90, 196; of England, 83, 183-186; of England, coinage, 329; of England, "restriction," 427-454; of England, suspension of specie, 139; of France, 88; of France, circulation, 574; of France, reserve, 479; Indiana, State, 209; of Ireland, 187, 188, 442; of Montreal, 318; of Mutual Redemption, 282, 203; of Norway, 90, 195; Ohio, State, 209; of Portugal, 92, 200; of Prince Edward's Island, 314; of Scotland, 326-332; of Spain, 89, of Stockholm, 375; Root on Canadian currency, 309-323; see also *Suffolk Bank*; *National Banks*; *England, Bank of*; *France, Bank of*; etc.
- Bank Notes**—China, 93; England, 83, 183-186, 454; German Empire, 191-193; inflation, 220; issues in Colonial New England, 254; Japan, 94; National Bank, 105; Persia, 93; Portugal, 92; Roumania, 92; Servia, 93; security required for circulating in N. Y., 211; tax on, 206; Turkey, 92; see also *Notes*.
- Bankers**—Conference of Canadian bankers, 312; private, 331; notes of, 106.
- Bankers' Magazine**—Alleged quotation as to Seyd, 123.
- Banking**—Branch, 188, 189, 209, 316-318; Canadian, compared with U. S. system, 314; drawing and re-drawing explained, 332-334; effect of war on, 166; failure of free system in Ohio, 212; free system in Canada, 310; Knox on, 218; Law's ideas on, 336; principle, meaning of, 213; Root on Suffolk system, 277-281, 283; the true principle, 215; Secretary Chase's system, 206; speculative, 297; Van Buren's plan, 288.
- Banking Law**—Free, in Canada, 310; free, in Illinois, 212; Louisiana, Act of 1842, 209; Massachusetts, 210; New York, 211; Ohio, 212; Wisconsin, 212.
- Banking Systems**, 220-252; Argentine Republic, 202; Australasia, 202; Austria-Hungary, 194; Belgium, 194; Brazil, 203; Canadian, 309-24; Chili, 203; China, 202; Denmark, 196-7, 188; England, 183-186; Ecuador, 203; France, 190, 191; Grand Duchy of Finland, 200; Germany, 192; Greece, 198; Ireland, 187-188; Italy, 197-198; Japan, 201; Mexico, 202; Netherlands, 195; New England, 282-283; Norway, 195; Portugal, 200; Roumania, 101; Scotland, 186-187; Servia, 201; Spain, 199-200; Suffolk, 210; Sweden, 196; Switzerland, 195; Uruguay, 203.
- Banks**—Assets of our, 157; associations of, 344; Bradstreet's on, 339; British India, 84; Canada, 83, 183, 309-324; capital, 550; certified checks, 342; condition of in U. S., 375; "corner" of money, 399; debts, 399; of England, paper, 453; funds of, 378; Government control of issues, 132; "land," 254; loan of money or credit, 399; loans to U. S., 132, 186; Massachusetts, 254-260, 277-281; negotiation of foreign loans, 575; Ohio, branch, 209; safety fund, 305-308; situation of principal banks of issue, 404; State supervision of, 174-175; world statistics on, 53; United States, 173-175.
- Banks, branch**, 316; in Canada, 188; England, 185; France, 189; Germany, 193; Ohio, 209.
- Banks, State**, 240; comparison of systems, 250-252; condition at institution of national banks, 251-252; issues of paper, 174, 374; present status, 173-174; tax on, 173; see *Banks, Specific*.
- Bankruptcy**—Greenback and, 140, 148.
- Baring failure**, 338, 575.
- Baring, Sir Francis**—On trade restrictions, 434.
- Bayard, James A.**—Speech on greenbacks, 153.
- Beaver as currency**, 483-490.
- Beerbohm**—Average wheat crop, 402.
- Belgium**—Bank system, 194; currency system, 88; see also *Latin Union*.
- Bermudas**—Currency system, 85.
- Biddle, Nicholas**—Mississippi State banks, 233.
- Bills of Credit**—Continental, 491-496; Constitution on, 2; right to emit, 146; greenbacks as, 143.
- Bimetallism in France**, 471-482.
- Bimetallism in History**, 455-470.
- Bimetallism**—Alleged benefits, 513, 514; answered outside of legislation, 468; Balfour on, 578, 585; Cernuschi on, 579, 585; creditor, 616; effect of, 587; failure of, 474, 548-550, 580, 607; graphic representation in France, 476, 477; history, 395-399, 455-470; in Chile, 561-563; in Europe, 578; in France, 398, 471-482; in Japan, 539-540; its past use, 585; Leroy-Beaulieu on, 575-581; losing

- ground, 577, 578 ; meaning—none in this country, 412, 607 ; international, 607, 608 ; White on, 424 ; reasons against, 404 ; United States before 1873, 462 ; M. Magnin, 579 ; purpose of, 586 ; ratio unstable, 457 ; Ernest Seyd on, 122 ; Sir John Lubbock on, 5-8 ; Sir Henry Meysey Thompson, 614 ; Pres. F. A. Walker's views, 510, 511, 585 ; Act of William III., 457 ; views of President Andrews, 585.
- Bland—Free Coinage bill, 466.
- Bland-Allison Act, 18, 107, 108, 403, 404, 416.
- Bolivia—Monetary system of, 95.
- Bond sales, 110, 523-527.
- Bond Syndicate, 524-525 ; influence on exchange, 525 ; plan of, 526.
- Bonds—Effect of repudiation, 365 ; bank capital invested in, 376 ; exchangeable for greenbacks, 102 ; withdrawal of by National Banks, 107 ; Canadian, 311 ; to restore government credit, 589 ; prices of, U. S., 54 ; Sec. John G. Carlisle on, 515 ; see also *Bond Syndicate*.
- Bond Secnrity vs. Safety Fund, 286-308.
- Boston—Bank circulation, 279 ; suspension of banks, 258.
- Boutwell, Geo. S.—Act of 1873, 116.
- Branch banks—Bank of Indiana, 207 ; Canadian banks, 316 ff. ; England, 185 ; France, 190 ; Germany, 193 ; Ireland, 188 ; Scotland, 187 ; U. S. State banks, 36, 251.
- Brazil—Banking system, 203 ; monetary system, 95.
- British Guiana—Monetary system, 85.
- Bullion—Definition, 100 ; how affected by paper money, 441 ; expense of coinage in England, 432 ; in U. S. 13, 112 ; foreign exchange, 435 ; how acquired by U. S. Government, 112 ; high price indicates excessive circulation, 452 ; principles governing price of, 431 ; supply in America in 1810, 430 ; use of compared with coin, 432.
- Bullion Report, The, 1810—427-454.**
- C**ampbell, James H., on greenbacks, 146.
- Canada—Bank note encrency, 188-190, 309-324 ; bank capital, 189 ; branch banks, 316 ; circulation, 84, 310, 315, 320, 322 ; coinage and currency system ; Dominion notes, 83, 323-324 ; gold standard, 83, 459 ; present condition of banks, 324 ; security of banking system, 319-320.
- Canadian Bank Note Currency, 309-324.**
- Cannan, M., on Bimetallism, 613.
- Cape of Good Hope, British currency, 85.
- Capital—Advances, 331 ; bank, see under name of country or bank ; effect of free silver, 614 ; foreign in the United States, 522 ; and interest, 400 ; surplus in European countries, 581 ; surplus in old countries, 577.
- Carlisle, Sec. John G.—Gold standard, how attained, 515 ; cancellation of legal-tender U. S. notes, 155.
- Cash—Chinese, 93.
- Cash and Credit—Trenholm on, 359.
- Central America—Money system, 94.
- Central Reserve Cities, 39, 106.
- Cernuschi, M.—Theory of Bimetallism, 123, 579, 585.
- Certificates—Clearing house, 341, 342 ; see also *Gold certificates, Silver certificates, clearing-house certificates*.
- Ceylon—Indian currency, 85.
- Chase, S. P., on greenbacks, 101, 132 ; on legal tender, 160 ; on bank system, 206.
- Cheap Money in Chile, 547-570.**
- Cheap Money—Dionysius, 392 ; meaning of, 359 ; results of, 392.
- Checks—Certified, 342 ; clearing-house, 359 ; pay, 342.
- Chevalier—Silver advocate, 460.
- Chile—Banks and banking system, 203, 550-553 ; gold exports, 570 ; monetary system of, 95, 547-590 ; national loan, 569 ; wages, 558-559 ; want of confidence in monetary system, 566.
- China—Bank note system, 202 ; laborers' condition, 536 ; money of, 93.
- Circulation—As dependent on production of a country, 326 ; bank note, 374-375 ; bullion, 452 ; bullion as criterion of exchange, 449-450 ; dependent on State banks, 166 ; domestic, 588 ; Ford on our system, 528 ; of greenbacks limited, 138 ; oscillation in, 551 ; of silver in U. S., 109, 392 ; silver certificates, 108 ; per capita in U. S., 56, 58, 59 ; per capita in principal countries, 58, 394 ; proportion to capital, 316 ; quantity of money in, 380 ; regulating, variations in, 574 ; security for bank notes in N. Y., 211 ; tax on, 310 ; treasury note or due bill, 373.
- Circulation (By countries and States)—Argentina, 95, 202 ; Austria-Hungary, 86, 96 ; British India, 84, 96 ; Canada, 84, 189, 310-315, 319-320 ; Chile, 550 ; China, 93, 96 ; Denmark, 96, 197 ; England, 83, 188a, 447 ; France, 83, 96, 190, 191 ; Germany, 86, 96, 393 ; Greece, 89, 96, 198 ; Ireland, banks, 187, 188 ; Italy, 88, 96, 198 ; Louisiana, 241 ; Netherlands, 96, 197 ; New York, 285-287 ; Norway, 96, 195, 196 ; Roumania, 92, 96, 2-1 ; Russia, 91, 96, 200 ; Scandinavian Union, 90, 96, 195 ; Scotland, banks, 187 ; Spain, 89, 96, 199 ; Sweden, 96, 196 ; Switzerland, 89, 195 ; Turkey, 92, 96, 200, 204 ; United States, 50, 52, 55-57, 82, 183 ; World's, 96, 58.
- Circulating Medium of U. S.—Chart, 59.
- Clearing-houses' Balances—Currency certificates, 104.
- Clearing-house—Certificates, 341, 342, 344 ; fac similis, 345-356 ; checks settled through, 359 ; statistics, 60.
- Coin's Financial Fool, 405-425.**
- Coin's Financial School—Harvey, W. H., 424.
- "Coin"—American dollar, 409 ; bimetallism, 424 ; Columbus forgery, 424 ; debate with L. J. Gage, 414-415 ; English octopns, 422 ; financial school, 406-425 ; on greenbacks, 420-421 ; Laughlin, 418 ; legal tender, 409 ; quotations on silver, 416 ; W. H. Harvey, 405-425 ; series of explosions, 418-419.
- Coin—Clipped, 442 ; converting into bullion, 422, 442 ; England, clipping, 457 ; English worn, 443 ; deposit of, 109 ; Government regulation of value, 135 ; limit of use, 432 ; reason for export, 328 ; Scotland, 324, 336 ; trade dollar, 464 ; value intrinsically, 369 ; value of silver dollar, 79, 613 ; weight first dollar, 462.
- Coin Redemption—Treasury notes, 108.
- Coinage—Act for in United States 1792, 462 ; act of 1873 in detail, 127 ; Bland-Allison Act, 107 ; cessation of, 112 ; effect of, 609 ; of gold, 61-64, 463 ; pound sterling, 586 ; profit, 117 ; silver, 61-64, 412-413 ; silver dollars, 61-64, 107, 108 ; Union act 1878, 64, 467 ; see also "*free coinage*" and *Laws*.
- Coinage (by countries)—Austria-Hungary, 86 ; British India, 84 ; Canada, 83, 323 ; Chile, 548, 568, 569 ; England, 432, 442 ; in France, 473, 474, 478, 470 ; German Empire, 85 ; Japan, 121 ; Latin Union, 481-482 ; Roumania, 92.
- Coinage and Currency Laws, 1-48.**
- Coinage—World's, statistics, 64.
- Coinage U. S. Mints, statistics of, 61-64.
- Coinage Changes Mexico, 94 ; U. S., 3, 14.
- Coinage—Weights, measures, committee—Consideration of Act of 1873, 120, 122.
- Coins—Tables of weights, 97, 98 ; undervalued will not circulate, 121 ; United States, 113, 323, 369 ; U. S. Union, 111 ; U. S. subsidiary silver, 111 ; want of in New Netherlands, 483-490.
- Collamer, Jacob—On greenbacks, 149-151.
- Columbia—Monetary system, 95.
- Colville, M.—Depreciation, 443.
- Commerce—Amount of international, 586 ; barter of, 383, 384 ; cause of restrictions, 434 ; comparison with other nations, 584 ; variations in exchange, 441.
- Commercial Ratio—Silver to gold since 1687, 77.
- Commercial Transactions—Silver dollar, 100.
- Commercial Value—Fluctuations, 121 ; silver dollar, 121.
- Conditions for American Commercial and Financial Supremacy, 571-582.**
- Conference—Canada, banks, 312 ; Committee Act, 1873, 122.
- Confidence—As basis of money, 364.
- Confidence, public—National money, 517.
- Congress—Attitude on bond issue, 524-525 ; bills and reports in Act 1873, 117, 124, 399 ; consideration of greenbacks, 133 ; control of paper money, 159, 160 ; powers of, 146 ; power to regulate coin, etc., 132, 391 ; foreign coin, 410 ; power to regulate value of money, 359 ; special session, 1893, 109.
- Conkling, Roseoe—On greenbacks, 140 ; on value of money, 483.
- Connecticut—Bank circulation, 266-268.

- Constitution—Indiana, prohibiting State from holding bank stock, 209.
 Constitution U. S.—Rules of interpretation, 140, 142, 143; greenbacks, 141, 144, 146; power to regulate money, 368.
 Constitutionality—Greenbacks, 134, 140, 147, 150, 151, 152, 153, 154.
 Continental Congress, 141.
 Continental Currency, 421.
 Contracts—Future payment, 366, 509; greenbacks impair obligation of, 136, 142, 145, 149; no legal tender for international, 497.
 Convertibility—In England, 441, 446.
 Corner—Of money by banks, 399.
 Costa Rica—Money system, 94.
 Cowan, Edward—On greenbacks, 152.
 Credit—Banking function, 168; bills, 496; business shrinkage, 340; danger to national, 104, 604; effect of loss of, 365, 366; effect of free coinage upon, 588; greenbacks, 147, 152, 153; maintenance of, 597, 598; wealth of country the basis, 359; what it represents, 360.
 Credit Instruments—Statistics of, 65.
 Credit Rubles—Russia, 91.
 Credit of U. S. in 1861, 108, 132.
 Credit and Cash—Trenholm on, 359.
 Creditor—Farmer as a, 359; free silver, 616; greenbacks and, 152; how effected by free coinage, 610; injustice to, 499, 500; laborers as, 532; who are, 400, 401.
Crime of 1873. The, 115-130, 412.
 Crores—Indiana currency, 84.
 Currency—Circulation of, 166, 167; confused condition, 99; continental, 491; comparison of supply in different countries, 380; credit, 160; deposit of, 109; of our domestic trade, 588-595; effect of new discoveries gold and silver, 469; effect of increase, 433; effect on exchange, 436; effect of changes on wage earners, 536-539; emergency, fac similes of certificates, 345-356; experience of New Netherland Colony, 483; experiments with, 529; fiduciary, 573, 574; forced, 605, 606; Hamburg, 434; inflation, 448, 528; interest-bearing suggested, 133; Jackson's plan of reform, 162, 163; legal-tender notes, 360, 361, 536; liability to depreciation, 370, 377; metal, 447; public faith, 496; paper, 441, 452; parity, 109; quantity, 449; reform in France, 472; regulated by bullion, 435; result of emergency currency of 1893, 344; Secretary Windom on, 545; supply and demand, 431; trouble with present system, 156; unsettled condition of in the U. S., 604; effect of tinkering with, 604; United States, 340, 344; volume of paper currency, 57, 177; weakness of our system, 530.
 Currency (bank), 205-336; elasticity of different systems, 305, 308; experience with wild-cat, 212; bank issues limited, 171; bank quantity required, 170, 173; summary of Dodsworth's plan, 178-179; Bank of Connecticut, 265-268; of England, 183-186; Bank of Germany, 191-193; report of Maine bank commissioners, 253; Banks of Maine, 268, 271; of Mass., State bank, 255-261; of national banks, 340-344; New Hampshire, 272; New York bank, 285-308; reformation of bank note in New England, 277; Bank of Rhode Island, 261-264; Bank of Vermont, 273-276.
 Currency—Argentina, 95; British India, 84; Canada, 83; China, 541; Chile, 547-570; English system, 473-474; France, 473; German Empire, 85, 86; Japan, 93; Mexico, 544; Roumania, 92; see also under name of country.
 Currency Certificates—U. S., 39, 82, 104.
 "Currency Principle," The—Explained, 214.
 Customs Receipts, U. S., 67, 68.
 Customs Duties in 1861, 132.
 Cyprus—Currency, 85.
Debt—Extension of, 219.
 Debtors—Creditors, 400.
 Debts, 399; depreciated paper, 149; greenbacks effect, 149.
 Debt of U. S., 590, 591.
 Delaware—State bank of, 228.
 Demand, Continental, for gold, 520.
 Demand—Gold in panic 1893, 517.
 Demonetization of silver, 115-130, 417.
 Denmark—National bank of, 196; currency system, 90; system of bank notes, 196-197.
 Denominations—Treasury notes, 108; subsidiary silver, 111.
 Depreciated currency and debts, 149.
 Depreciation—In Chile, 553; Bank of England, 444; in Chile, cause of, 557; effect on wages, 544; tendency to, 377.
 Deposit Currency—Importance of, 59.
 Depositors—Protection in N. Y., 293-294; are creditors, 360.
 Deposits—Vermont, 275.
 Depression—Greenbacks, 149.
 Directors, Bank—Liability of, 208.
 Discounts—To regulate exports of gold, 574; Scotland, 330; control by government, 574.
 Dividends—Canadian banks, 313.
 Dodsworth, W.—Our Paper Currency, 165-180.
 Dollar—Trade, 149, 392; United States first, 408; Spanish, 496; value of, 79, 359, 369.
 Double Eagle—Authorized, 101.
 Double Standard—Impossibility of, 121, 125.
 Drafts—Explained, 332-334.
 Due Bills, 373.
 Dunbar—Note issues by banks, 220.
 Durham—Act 1873, 125.
Elasticity—Of bank currency in Germany, 192-193; England's bank currency, 185; examples in New York, 306; Canada, 321.
 Elliott, E. B.—Silver dollar discontinued, 118.
 Emery, Mrs. S. E. V.—Seyd Myth, 123.
 Endless Chain—Greenbacks, 110.
 England, Bank of—183-186, 433; advances to government, 448; a weekly account, 186; branches of, 185; circulation, 445; circulation and guaranty, 170; coinage, 329; directors, 444-447; discounts, 445; notes of, 156; notes, 215, 440, 450-451; paper, 451; rate of discount, 520; silver, 443; suspension of payment, 443, 447.
 England—Bank Act, 214; banking system, 183-186; bank notes, 83, 183-186; bimetalism, 82, 398, 607; bullion report, 427-454; circulation, 448, 450, 451, 453; coinage and currency system, 82, 83; exchange, 428, 434, 544; gold standard, 459; inflation, 442; joint stock banks, 83, 183-186; laborer's condition, 536; legal tender, 439-440; national expenses, 600-601; panic, 450; position as to bimetalism, 482; prices, 450; wages, 454.
 Ecuador—Money system of, 95; system of banking, 203.
 Europe—Return of securities, 338.
 Eustis, M., 420.
 Exchange—Cities, 428; commercial development, 470; computation, 459; depreciation in Ireland, 442; effect on trade balances, 436; effect of resumption in Chile on, 570; England, 434; foreign, 516; fluctuations, 434; Greffnlhe on, 439; Holland, 436; limit, 436; par, 435-436; notes of, 522; rate of in Chile, 554-555; rate of foreign, 525; real cost of, 428; Scotland, 332, 334.
 Exchange, Foreign—Adam Smith's explanation of, 458.
 Exports—Average of gold for eight years, 159; distribution of our, 599-600; from China, 541; gold 516, 517, 518-519; gold, cause of, 522; gold from England, 431, 437; to England, 587; gold and silver U. S., 71, 72, 404.
 Ex Post Facto Laws—Greenbacks, 139.
Failures—Bank in N. Y., 1840-1842, 292; Baring, 338, 575; greenbacks, 148.
 Fairchild, Hon. C. S.—Effect of legal-tender acts, 609; quantity of money and prices, 614-615.
 Farm—Mortgages, 595-596; values, 403.
 Farmer—Effect of silver, 394; as creditor, 359.
 Farquhar, Henry—A stable monetary standard, 497-514.
 Felt, M.—Massachusetts currency, 254.
 Fessenden, Wm. Pitt—On Greenbacks, 147-149.
 Fiat Money—Bimetalism, 607; "free coinage," 605; legislation, 616; meaning of, 391; Reform Club Platform, 205; return to good money, 590; Warner on, 604.
 Finance, of United States—Crisis in, 516.
Financial Catechism, A. 389-404.
 Fineness—Definition, 100; fineness, 101; subsidiary silver, 111; minor coins, 111.
 Florida—State banks of, 243-245.
 Florin—Austria-Hungary, 86.
 Forced Currency—Italy, 89; Portugal, 92; Spain, 89; Argentine Republic, 95; Austria-Hungary, 86; Greece, 89.

Forced Loans—Austria, 139; Greenbacks, 141-145; 150, 154.

Ford, W. C.—Foreign exchanges and gold movement in 1894 and 1895.

Foreign Exchange and Gold Movement in 1894 and 1895, 515-530.

Fractional Silver, 111; redemption in weight, 125.

France—Accumulation of gold, 520; assignats, 472; bank of, 190-191; bi-metallism, 397; bi-metallism, 471-482; bi-metallism, 607; circulation per capita, 393; coinage, 473-474, 478, 482; currency of, 512; effect of silver, 474; monetary commission, 479; monetary history, 482; money system, 87; parity, 460; standard of, 474-482; system of currency, 473; silver, 472, 474, 478, 480; supply of gold, 390; system of banking, 190-191; suspension of coinage, 88; head of Latin Union, 87; see also *Latin Union*; greenbacks, 140, 141, 150, 151, 154.

Free Banking—Massachusetts, 259; Connecticut, 263; New York, 299-305.

Free Coinage Dissected, 603-616.

Free Coinage—Consequences, 610-612; danger of, 585, 589; meaning of, 395; Mexico, 94; Seyd on, 398; silver dollar, 384 grains, 119; silver in France, 461; Warner on, 605-606.

Free Transportation—Silver dollars, 109.

French Revolution—Greenbacks, 153.

Funding—Greenbacks, 138.

Cage, L. J.—Debate, 414-415.

Gambia—Africa, Currency, 85.

Georgia—State bank of, 223; State banks of, 241-243.

Germany—Abandoned silver, 461; foreign investment, 520; monetary system, 85; monetary standard, 586; money, 393; new coinage act, 463; resources, 601; sale of silver bullion and old coins, 461; silver, 460; system of banking, 191-194; war 461; fund, 86.

Gibraltar—Currency, Spanish, 85.

Giffen—On money, 450.

Gold—Accumulations by Europe, 161; accumulations, 517, 521-522; Austria-Hungary, 214; basis of confidence, 162; bullion, 427-454; cause of exports, 522; comparison with other metals, 533; coinage charge, none, 101; coinage of, 463; coinage private account, 459; crop values in, 594; currency value of 1862-79, 66; demand on continent, 520; denomination of coins, 101; effect of Sherman Act, 468; England, 82, 83; excessive exports, 573; free, exhausted, 517; export of, from Japan, 93; exported under Coinage Act of 1792, 462; export, 521, 525; exports from Chile 570; exports necessary at times, 574; France, 474-475, 473; hoarding of, 109; hoarding in U. S., 338; in Chile, 547; influx and efflux in Bank of England, 521-522; increased production, 470; labor cost, 73; lack of in New Netherlands, 483-490; leakage of, 110; legal tender, 101, 610; loss from use, 587; loss from wear, 430, 432; market price in England, 440; movement, 521; movement in 1894, 516; movements between United States and Europe, 520-521; our command of the supply, 589; parity, France, 460; Persia, 93; Portugal, 91; premium on, 66, 132; price of bullion and bars in England, 428; product, 69, 70, 390, 579; production in United States, 465; production in America, 474; effect on France of increased production, 87; purchase of, 529; purchases of bullion by Chile, 549; ratio, 77; Russia's hoard, 91; Sec. J. G. Carlisle, 515; standard in international trade, 603; supply, 517, 577-580; supply in France, 473; transportation, 436; three-dollar piece, 101; Turkey, 92; U. S. coinage, 82; U. S. coinage statistics, 61-64; withdrawal, 110; withdrawal from circulation in Chile, 518; world's supply, 610; withdrawal in just five years, 161.

Gold and Silver—Commodities, 135; coinage in France, 473, 474, 478, 482; exports from France, 474-475; imports and exports U. S., 71, 72; imports into France, 474, 475; production world, 69; production U. S., 70.

Gold and Silver Coins—Weights of, 98.

Gold Certificates—Amount in circulation, 67, 68; authorized, 17, 26, 44; denominations, 101; not legal tender, 101; suspension of issue, 103, 110; U. S., 82.

Gold Coast Colony, Africa—Currency, 85.

Gold Coin—Amount in U. S., 55; weight changed, 100; weight, 100; legal tender, 100; fineness changed, 100; coinage, free, 112.

Gold Par Equivalents, 97.

Gold Redemption—Treasury notes and greenbacks, 110; treasury notes, 109; treasury notes, 108; of greenbacks, 103.

Gold Reserve—By months 1891-96, 67, 68; impairment of, 110; how established, 103; greenbacks, 110; accumulation of, 103.

Gold Standard—Advantages of, 576; changing, 602; Chile, 95; Chile's only hope, 563; effect on wages, 545; England, 390; France, 480; Germany, 461; hesitation by U. S. in accepting, 573-575; in European countries, 578-579; Macedonian "stater," 584-585; need in international trade, 549, 586; universal, 583, 586; Uruguay, 95; Venezuela, 95.

Gold Dollar—Authorized, 101; measure of value, 117, 118.

Goldsmith—Price of Gold, 430.

Goldsmidt, Abraham—On transportation of gold, 436.

Government—Duty as to bank paper, 174-175; paper, 378, 392; power to coin money, 609; supervision of national banks, 182; taxes, 373.

Government Notes—Japan, 94.

Government Paper Money—Subsequent issues unavoidable, 139.

Great Britain—Currency system, 83.

Greece—Bank notes, 88; system of bank notes, 198-199; see also *Latin Union*.

Greenback, The, in Congress, 131-154.

Greenbacks, 101, 363, 380; greenback, 417, 420; bill, 102; Act February 21, 1862; act July 11, 1862, 102; Act of June 30, 1864; constitutionality of Act of May, 1878, 102, 103, 134, 140, 150-154; denominations, 102; depression, 149; further redemption forbidden, 103; exchangeable for bonds, 102; exchangeable for currency certificates, 104; endless chain, 110; inflation, 149; issue total, 102; issue outstanding fixed, 103; necessity of retirement, 160; outstanding amount limited, 102; panic of 1873, 103; payable in coin, 103; quantity in circulation, 166; redemption of, 103; redemption of, 109-111; redeemed in gold, 110; reissue of, 103; reissue compulsory, 104; retirement and cancellation of, 102; second issue, 102; statistics of depreciation, 66; third issue, 102; to be reissued, 110; U. S. Supr. Court decision, 104; (U. S. notes), 82; war measure, 104; Warner on, 604-605; Legal Tender, 101.

Gresham—On exchange, 434, 499.

Gresham, Sir Thos.—Bimetallism, 368.

Gresham's Law—Effect of, 373, 379.

Guatemala—Money System, 96.

Guilder—In New Netherlands, 486-490.

Hamburg—Currency methods, 32.

Hamilton, Alexander—On ratio gold to silver, 396-397.

Harcourt, Sir William—Bimetallism, 578.

Harvey—Coin's Financial School, 424.

Hayes, Pres.—Bland-Allison Act, veto, 107.

Herschell—On agricultural laborers, 544.

Hoarding of Gold, 109.

Holland—Exchange, 436; monetary system, 90; suspended silver coinage, 461.

Honduras—Monetary system, 85, 94.

Hong Kong—Currency, silver, 85.

Hooper, Hon. Samuel—Standard, 413.

Horton, Valentine B.—On greenbacks, 143.

Howe, Timothy O.—On greenbacks, 151.

Hard Money, 140.

Illinois—Free banking law, 212; state banks of, 232-233.

Imports—Gold and Silver U. S., 71, 72; gold into England, 437; merchandise, 159, 404, 588.

Incomes—Loss from panic of 1893, 157.

India—Currency law, 459; gold, 390; monetary law, 84; silver, 466; silver: development; wages; statistics, 541-544; silver monometallic, 459; ratio, 459; production of wheat, 402.

Indiana—Specie payment, 212, 232; state banks of, 207, 231-232.

Industry—Motives, 495.

Inflation—Consequences of, 322-329, 324; of bank notes, 220; greenbacks, 138, 149.

Interest—How affected by free coinage, 611; investment, 371; law, 447; where rate of is lowest, 400.

Intrinsic Values, 145.

Investments—Government bonds, 500.

Ireland—Depreciation, 443; specie payment, 454; system of banking, 83, 187.

Italy—Currency system, 88; silver standard, 458; state debt, 89; system of bank notes, 197-198; see also *Latin Union*.

Jackson, Chas. C.—Why legal-tender notes must go, 155-164; plan of reforming currency, 162-163.

Japan—Bank note system, 201; cause of prosperity, 540; money of, 93, 94, 95; wages, 540.

Jamieson, George—Wages in gold countries, 545.

Kelly, W. D.—Debate on Act 1873, 118, 120, 121, 413.

Kellogg, William—On greenbacks, 144.

Kentucky—State banks of, 225-228.

Kuox, J. J.—On banking, 218; on Act 1873, 116.

Labor—In England, 536; United States, 536; standard of, 501, 502, 508; division of, 357.

Lacs, 84.

Latin Union, 87; formation, 398, 481; effect of, 461; bimetallism, 473-480; coinage, 481-482; money in 89, 390; subsidiary coin, 465; system adopted by Spain, 461; termination of, 88.

Laughlin, J. Lawrence, 418; prices and silver, 508.

Laveleye, Emile de—Bimetallism, 579.

Law, John—Plan of banking, 336.

Law—Failure to maintain value, Continental currency, 491-493; wampum, 483-490; silver, 338.

Laws, U. S.—See Index to Coinage and Currency Laws, pp. 47, 48.

Legal Tender—Abandonment by Government of power to create, 514; act of, 168; bank notes in England, 186; Bank of England, 139; bank notes in Germany, 193; British India, 84; bullion value, 513; Continental currency, 491-496; constitutionality of, 136, 137; currency certificate, 104; definition, 100; does not add value, 146; effect of, 151; England, 439-440; force of the acts, 585; foreign money made, 463; fractional silver, limited, 111; five-franc piece, 87; greenbacks, 183, 138; first act, 133; greenbacks, 101, 141-147, 604; how to retire, 169-170; Japan, 94; power to issue, 144; minor coins, 111; National Banks, 38, 40, 182; National Bank notes, 105; power of Congress to make, 391; power of Government to regulate, 493; silver certificates, 108; silver dollar, 109, 118; subsidiary silver, 111, 118, 463; Treasury notes, 108; Trenholm on, 370; U. S. Coins and Currency, 17, 82; Vermont, 274; what the Act of 1862 is responsible for, 220.

Legal-Tender Clause, 149, 151-154.

Leroy-Beaulieu, Paul, Conditions for American commercial and financial supremacy, 571-581.

Lien—First National Bank Notes, 105.

Loans—Payment by installments, 327; U. S., 1862, 132.

Louisiana—Bank Act of 1842, 209; bank-note holders, 215; State Banks of, 240, 241.

Lubbock, Sir John—Views on Bimetallism, 588.

Magnin, M.—Bimetallism, 579.

Maine—Bank currency, 268-271; report of Commissioners on bank currency, 253.

Manitoba—Bank of, 314, 315.

Mark—German, 85.

Markets—Our foreign, 599-600.

Massachusetts—Banking law, 210; state bank, 222; state bank currency, 255-261.

McCormick—Act of 1873, 122.

McNeely—Act of 1873, 122.

McIver, Enrique—Paper money in Chile, 561.

Merriam, Dr. J. W.—Wages in Chile, 558.

Metals—Money, 499; parity of, 108.

Mexican Dollar—Circulation of, 94; in China, 93; in Japan, 93.

Mexico—Condition of laborers, 536; monetary system, 94; silver, wages, prices, 544; system of banking, 202.

Mill, J. S.—Volume of money, 399.

Milreis—Portugal, 91.

Minor British Colonies—Systems of currency, 85.

Minor Coins, 100, 111-112; coinage limited, 112; for government account only, 112; free transportation, 111.

Mints—Act of 1873, 118; China, 93; Mexico, 94.

Mississippi—State banks, 232-233; Biddle ou State Banks, 233; State interests, 233.

Missouri—State banks, 249-250.

Monetary—Failures of a century, 166-167; conference, 1867, 125; standard, 498-499.

Monetary Systems—American, 580; Chile, 547-574; European countries, 578-579; England, 573; France, 512, 573; New Netherland, 484-490; United States, 576; see also under name of country.

Monetary Unit—Costa Rica, 94; gold in England, 459; Mexico, 94.

Money—Bank paper in Scotland, 328-329; basis of, 362-366; "Boston," 276; cheap, 392, 589; coercion, 493; Continental, 491; see *Continental Currency*; current, 276; definition of, 389, 584; depreciation, 368, 372, 453; derivation of its power, 585; distribution of, 113; fiat, 391; France, 471-482; gold, 587; market, 520; material used, 370-371, 533; medium of exchange, 615; Mexico, 544; need of, 377; of the Constitution, 145; ownership of, 113; power of, 362, 381; present system in U. S., 114; public opinion, 363; purchasing power, 540, 595, 597; qualities required, 363-364, 366, 532-546; quantity, 614-615; Scotland, 330, 333; silver, 370; sound, 266; stock of, 112; test of, 584-585; system, 101; Trenholm on volume of, 379-383, 392; wampum in New Netherland, 483-490; what constitutes, 357, 360; what material used indicates, 390; see *Paper Money*; *Monetary Systems*.

Money of the Nation: Shall it be Good or Bad? 583-602.

Monometallism, 121; how attained, 607; see *Gold Standard*.

Morgan Syndicate—Contract, 110, 524-526.

Mortgages—Debts, 595-596; foreclosure of railroad mortgages, 1890-1893, 338; Wisconsin, 212.

National and State Banks, 205-220.

National banks, 104-107, 216-217; Belgium, 88; circulation, 170, 182, 183; circulation annually, 50, 51; cost of circulation, 106; circulation increased, 106; circulation unprofitable, 106; limited circulation, 105; deposits in, 365; early acts, 104; effect of cheap money on circulation, 376; failure of system, 340; government supervision, 182; laws, see *index to Laws, etc.*, pp. 47, 48; legal tender, 182; monopoly of note issue, 106; notes of, 365; only banks now issuing notes for circulation, 182; prejudice against, 226; redemption, 182; retirement of notes, 106; service, 93; statistics, 50, 51; withdrawal from circulation, 105.

National Bank Notes, 82, 105, 106, 107.

National Bank System, 206, 216, 218, 378; establishment of, 104; inception of, 132; in New England, 283.

National Loans—Effect of bond sale, 615.

Necessity—For greenbacks, 145.

Nelson, Henry L.—Bimetallism in History, 455-470.

Netherlands—Bank of, 195; silver, 460; monetary system, 90; system of banking, 195.

New England Bank Currency, 253-284.

New England—Current redemption, 277.

Newfoundland—Currency, 85.

New Hampshire—Bank currency, 272-273.

New Jersey—State bank of, 223.

New Netherland—Currency, 483-490.

New York—Bank currency, 283-308; bank failures, 292; circulation, 287, 301, 304; Clinton's message, 288; free banking law, 211; bank safety fund, 287, 305; specie payments, 287, 289.

New York Bank Currency, 286-308.

Newspapers—Act of 1873, 125.

Nicaragua—Monetary system, 94.

Nickel—Coinage, 120.

Notes—Basis of security, 184; cancellation of legal tender, 155; circulating, 213; Confederate, 598; denomination of in England, 186; issues without security, 216; mutilated, 103; now issued by National banks only, 182.

Notes—National bank, 365-377; New York bank, 289-308; Provincial, 310; redeemable in gold, 110, redemption, 172, 175; treasury, 166, 178, 529; treasury in Chile, 551.

North Carolina—State bank, 228-229.

Norway—Currency system, 89 ; system of banking, 195.

O'Callahan, Dr.—Laws of New Netherland, 433.

Ohio—State bank, 205.

Organization—National banks, 104.

Our Money As It Is, 99.

Our Paper Currency, 165-180.

Ownership—Of gold and silver in U. S., 71.

Pacific Coast—Favors Act of 1873, 119.

Panics—403 ; New York, 307 ; 1873, 103 ; silver purchases in 1873, 109 ; 1893, 337, 517, 595.

Paper—Irredeemable, 148 ; not money, 145.

Paper Money—420 ; amount of, 156 ; Austria-Hungary, 86 ; bank advances of, 325 ; basis of circulation, 145 ; Chilean, 550, 551 ; circulation, 452 ; collapse of 1873, 592 ; continental, 491 ; defects of, 166 ; effect of, 441 ; greenbacks, 517 ; history, 372-373 ; inconvertibility, 552 ; necessity for, 572 ; origin of greenback, 573 ; redemption of, 581 ; Russia, 91 ; issues by State, 572-575 ; U. S. statistics of, 57 ; volume of, 177 ; Warner on, 604-605 ; "wild cat" currency, 213 ; see also *Bullion Report* ; *Currency* ; *Our Paper Currency*.

Paraguay—Monetary system, 95.

Paris—Exchange, 425.

Parity, 82 ; to be maintained, 108.

Patterson, Robert—Act of 1873, 117.

Pearse, Mr.—Exchange, 440.

Pendleton, G. H.—On greenbacks, 136.

Pennsylvania—State bank, 223 ; tender act, 492, 493.

People's Money, 357-388.

Per capita—Circulation in France and Germany, 393 ; circulation in U. S., 163 ; circulation in U. S., 1860-1896, 59 ; other countries, 58 ; money required, 397 ; national debt, 590, 591 ; taxes, 591.

Persia—Coinage and currency, 93.

Piaster—Turkey, 92.

Pike, Frederick O.—On greenbacks, 142.

Pine Tree Shilling, 457.

Policy, National—As to bimetallism, 404.

Pollock, Jones, Act of 1873, 117.

Portugal—Banks of, 200 ; gold, 480 ; system of banking, 200.

Potter, Mr.—Debate on Act of 1873, 413.

Pound Sterling—559 ; qualities of the unit, 576 ; unit of commerce, 586-587.

Powers, Fred. Perry—A Financial Catechism, 389-404.

Premium—Gold, 549 ; silver in France, 419.

Prices—Decline of, 401-402 ; cause of decline, 577 ; conservatism, 507 ; England, 504 ; fall of, 590-591 ; farm and silver, 592-595 ; Power's statistics, 592-594 ; greenbacks, 138 ; Government control, 609, 610 ; inflation from "free coinage," 612, 613 ; in China, 541 ; in Japan, 540 ; labor, 370 ; quantity of money, 614 ; regulation of in wampum, 489 ; relation to finance and commerce, 358 ; of silver, 79, 393-395, 428, 430 ; statistics, 73 ; variations, 401-402 ; wheat, 421.

Prince Edward's Island—Bank of, 314.

Production—Gold and silver in U. S., 70 ; in world, 69.

Profits—Free coinage, 612.

Promise—To pay, 145.

Prosperity—Of the United States, 403.

Public Debt—Of U. S., 75, 76.

Public Faith—Greenbacks a violation of, 140, 145.

Purchasing Power, 592-597 ; of our dollar, 121 ; of money in China, 541 ; in Japan, 540 ; in silver countries, 545.

Quality of Money and Wages, 531-546.

Quality—Currency, 449.

Rate—Of exchange, 435.

Ratio—British India, 84 ; change in, 463 ; change in France, 475 ; change in Japan, 93 ; commercial, 460 ; England, 82 ; France, 472, 474, 511-512 ; gold to silver in Chile, 395, 415, 417, 548 ; India, 459 ; Latin Union, 87 ; legal, 108 ; silver to gold since 1687, 77 ; silver and gold, 607, 608 ; United States, 1792, 462.

Recoinage—Trade Dollars, 109.

Redemption, 420 ; anxiety concerning, 156 ; banks in Canada, 187 ; Bank of England, 185, 444, 453 ; Bank of France, 573 ; bank notes, 569 ; bank notes in Germany, 193 ; Canada, 316, 322-323 ; fund in Canada, 312-315 ; in Chile, 551 ; current,

276 ; of paper money, 175-177 ; greenbacks, 109, 111 ; in New York, 301-304 ; National bank notes, 105, 182 ; minor coins, 111 ; of treasury notes, 109, 110 ; of paper money, 525, 573 ; of "Sherman notes," 167 ; U. S. and Treasury notes, 178.

Redemption Fund—National bank notes, 105, 106.

Reform Club—Platform, 205.

Reissue—Treasury notes, 108, 109 ; greenbacks, 110.

Reports—Commissioners on bank currency of Maine, 253.

Repudiation—Fear of, 156-157.

Resources, American, 572, 581.

Reserve—Canada, 312-313, cities ; 106 ; gold, 339 ; gold in treasury, 523-524, 526-530, government, 169 ; Scotland, 336 ; proportion of specie to circulation, 376 ; treasury, 183, 520 ; see *Gold Reserve*.

Reserve, Bank—528 ; of Canada, 189, 479 ; coin, in France, 190-191 ; of Italy, 198 ; of National, 106 ; of Sweden, 196.

Resumption—Act of 1895 in Chile, 568 ; Austria-Hungary, 213 ; effect of act on confidence, 365 ; of specie payment, 363, 368 ; of specie payment in Chile, 556, 560-570.

Revenne—Greenbacks, 134 ; mode of raising, 151.

Retirement—Greenbacks, 110 ; trade dollars, 109.

Rhode Island—Bank currency, 261-264 ; State banks, 222.

Ricardo, Mr.—System of circulation, 528.

Richardson, Wm. A.—Greenbacks, 133.

Rodriguez, Z.—Bimetallism in Chile, 561-563 ; economic studies, 557.

Romero, Señor—Silver standard in Mexico, 544 ; effect on capital, 613.

Root, L. Carroll—Canadian bank note currency, 309-321 ; New York bank currency, 285-308 ; New England bank currency, 253-284 ; States as bankers, 221-252 ; The World's Bank Note Systems, 181-204.

Rosendale, Simon W.—Wampum currency, 483-490.

Ross, Prof. Edward A.—Labor standards, 502, 503.

Roumania—Bank note system, 201 ; money of, 92.

Ruggles, Samuel B.—Actual standard, 125.

Rupce—British India, 84.

Russia—Coinage and currency, 91 ; system of bank notes, 200.

Safety Fund vs Bond Security, 286-308.

Safety Fund—Explained, 213 ; Ohio, 209 ; Vermont Act, 275 ; White on principle of, 218.

Salt Works notes—Austria-Hungary, 86.

Say, M. Leon—Bill on minting, 482 ; gold standard, 579.

Scandinavian Union—Currency system, 89.

Scotch Bank Currency, 325-340.

Scotland—Banking, 441 ; Bank of, 83, 326, 328-335 ; bank system, 186-187 ; capital, 327 ; circulation, 326-328 ; currency, 325-336 ; exchange, 442 ; interest, 327 ; notes, 327, 330 ; position as to silver, 326 ; specie payment, 454.

Second Bank of U. S., 104.

Securities—Shrinkage in America, 338.

Seigniorage—107, 108, 109.

Senate—Act of 1873, 147-154 ; obstruction in, 109.

Servia—Bank note system, 92 ; money of, 92.

Seyd, Ernest—Alleged connection with Act of 1873, 122-123 ; free coinage of silver, 398.

Shaw, W. A.—Bimetallism in France, 471-482.

Sheffield, Wm. P.—On greenbacks, 141.

Sherman, John—Act of 1873, 116, 118 ; greenbacks, 152, 110.

Sherman Act—1890 ; greenbacks, 110 ; purchases under, 403 ; repeal of, 109, 344 ; when take effect, 108, 109.

Sierra Leone—Currency of Africa, 85.

Silver—A factor in currency reform, 177-178 ; appreciation, 613 ; as a standard, 435 ; Coinage Act 1878, 467 ; coinage in German Empire, 85 ; coinage suspended in Holland, 461 ; currency, 339 ; decline of price, 402 ; demonetization of, 392-393 ; 397, 417 ; effect of free, 536 ; effect on wages, 508 ; Latin Union, 461 ; effect of stamp, 606 ; English coins, 83 ; French, 478 ; India, 542 ; mines, 592 ; movement of, 478 ; payment in, 493 ; Pine Tree shillings, 457 ; production, 575, 465 ; price, 108 ; price since 1834, 79 ; product, 69, 70 ; purchases, 108, 580, 607 ; statistics, 77 ; purchases stopped, 109 ; ratio, 77 ; recent developments, 468 ; rehabilitation, 576-578 ; rise in price, 431 ; Sherman Act, 467 ; speculation in, 416 ; stamped bars, 120 ;

- U. S. coinage, 82; statistics of, 61-67; use as money, 533; subsidiary coin, 585; use in the arts, 576; value of, 433-490.
- Silver Bullion—How held, 112.
- Silver Certificates—107-109, 467; Bland Allison Act, 107; denominations of, 107, 108; U. S., 82.
- Silver Coin—Free transportation, 109.
- Silver Dollar—107, 109, 116-121; Bland-Allison Act, 107; Act of 1873, 116, 117; discontinuance as a standard, 118; light weight limited tender proposed, 119, 120.
- Silver Laws—1873, 398; Allison Act, 461; Bland Act, 466; Bland-Allison Act, 416; Bland and Sherman acts, 578; Sherman Act, 338, 606, 607; repeal of Sherman Act, 344; Purchase Act of 1890, 219; repeal of Purchase Act, 416. See *Loyal Tender*.
- Silver Standard—101, 416, 432; effect on prices and wages, 544; Hamburg, 433; international, 608; British India, 84; Canada, 83; China, 541; Japan, 94, 539-540; Mexico, 94, 544; Persia, 93; Servia, 93; Turkey, 92.
- Sketton—Act of 1873, 125.
- Smith, Adam—Bank Currency of Scotland, 325-340; paper money, 452.
- Smith, Hoke—American dollar, 483.
- Snowden, J. Ross—Act of 1873, 117.
- Soetbeer, Dr.—Ratio of value, 458; tables, 456; Coinage in France, 512.
- Sound Money—Democratic support, 616; Secretary Windom, 545.
- South Carolina—State bank of, 223, 230.
- Spain—Bank of, 199-200; currency system, 89; Latin Union, 461; system of banking, 199-200.
- Spanish Dollar—China, 93.
- Specie—New York, 300; Massachusetts, 210-211; definition of, 100.
- Specie Payment—Act of 1875, 103; Bank of England, 431, 444, 454; Indiana, 232; Massachusetts, 257-258; New York, 287; resumption of, 103; resumption, 1879, 538-589; return to, 135; suspension of, 132; suspension by Bank of England, 1797; by Bank of France, 1870, 572; United States, 463.
- Spaulding, E. G.—Greenbacks, 133-134.
- Spurious Currency—Greenbacks, 140.
- Stable Monetary Standard, 497-514.**
- Standards—Change of, 399; classification of countries by, 81; Congressional debate on, 413-414; Government duty to fix, 367; legal, 492; legal-tender, 167; requisites, 363; silver in India, 84; stable monetary, 497-514; the best, 513; unit in France, 472, 473-479, 481, 482.
- Standard, Double—Amounts to "puts" and "calls," 510, 513; Sir Thomas Gresham, 568.
- Single Standard—460; advantages of, 459; in Europe, 458; ultimate redemption, 121.
- State Banks—Colonial examples, 222; comparison and special features of, 250-252; statistics, 52; the greenback and, 132; constitutionality of note issue, 132; retirement of notes, 132; tax on notes, 106.
- States as Bankers 221-252.**
- Stater—Macedonian standard, 585; gold, 586-588; necessity of, 589.
- Statistics—Circulation in U. S., 55-57; circulation of the world, 58; customs receipts, 68; greenback depreciation, 66; gold and silver exports, imports, 397, 474, 475; gold reserve, 67, 68; imports and exports of gold, 71, 72; prices and wages, 73, 503-505; of principal banks of issue, 404; production of gold and silver, 69, 70; public debt of U. S. 75-76; Root, bank circulation, 320-321; silver prices, 79; silver purchases, 77; wages, 73, 71.
- Statistics, Bank—Canada, 189, 190; Canada and U. S., 320-321; Germany, 193, 194; France, 191; National, 50, 51; of the world, 53; State, 52; Conn., 268; Maine, 271; Mass., 261; New Hampshire, 273; Rhode Island, 264; Vermont, 274.
- Statistics, Coinage—U. S., 61-66; France, 473; world's, 64.
- Stevens, Thaddeus—On greenbacks, 146.
- Stewart—Act of 1873, 118; gold standard, 121.
- Stock of minor coins, 112; money, 112; subsidiary silver, 111; treasury notes, 108, 110.
- Stockholder—Banks of England, 184.
- Stoughton, Hon. W. L.—Standard, 413.
- Straits Settlement—The currency, 85.
- Strictures on Tender Acts, 491-496.**
- Strobel, Edward H.—Cheap money in Chile, 547-570.
- Subsidiary Coins, 121; silver dollar, 120; trade dollar, 109, 121; U. S., 82; weight of, 118.
- Suffolk Bank—Redemption, 176, 275; Root on system of, 277-281; Whitney on system of, 276.
- Supremacy—England owes it to gold, 586.
- Supreme Court—Greenbacks, 143.
- Suspension—Specie payment, 413, 463.
- Sweden—Bank of, 196; system of banking, 196.
- Switzerland—Monetary conference, 482; silver standard, 478; system of banking, 195; see also *Latin Union*.
- T**ael—China, 93.
- Tariff—Effect of changing, 602.
- Tax—On State bank notes, 106, 206; England, 590, 601; greenbacks, 141; payment of, 362.
- Teller, Senator—Silver Act 1873, 121.
- Texas—Financial policy and its effect, 598-599; Confederate notes, 598.
- Tender Act—Nature of, 492.
- Tennessee—Banking, 236, 237, 238; Jackson's denunciation, 237; notes, 236-237.
- Thalers—German, 86.
- Thomas, Benj.—On Greenbacks, 145.
- Thompson, Sir H. M.—Bimetallism, 614.
- The Currency Famine of 1893, 337-356.**
- Token—Definition, 100; see *Money*.
- Trade—Balance of, 378-379, 437-438, 517; laws of, 141; regulation of in New Netherland, 483-490; statistics, 437.
- Trade Dollar—109; Act of 1873, 124; Japan, 93; substitute for standard silver dollar, 118, 119.
- Transportation—Regulation of charges in wampum, 490.
- Treasury—Exchange, 339; condition of, 1890-1893, 339; gold reserve, 523; needs of, 530; not fitted for banking, 157-158; notes, 529; redemption of notes, 178; reserve, 520.
- Treasury Notes—Of 1890, 108-109; amount of outstanding limited, 109; how retired, 109; redemption of, 108, 109-111; Sherman Act, 108.
- Trenholm, W. L.—The People's money, 357-384.
- Turk and Caicos Islands—Currency and methods of accounting, 85.
- Turkey—Bank system, 200; money, 92; Turkish pound, 92.
- U**ruguary—System of banking, 203; money, 92.
- United States—Authority to issue bonds, 103; circulation, 321-322; circulation of gold, 462; circulation per capita, 163; coins, 113; condition of, 338; credit of, 104; currency system, 12, 99-114; debt of, 590-591; debt to Europe, 522; extension of debt, 219; exports and imports, 404; foreign debt, 338; future commercial supremacy, 576; laborer's condition, 536; lien on National Bank funds, 104, 105, 182; *Laws on currency and coinage*, see *index*, pp. 47-48; national banking system, 104; paper currency, 463; parity, 110; prices and wages, 504; public debt, 75, 76; resources, 162, 601; revenue, 602; recharter, bank of, 463; silver purchased under Act of 1878, 467; treasury, 168.
- United States Bonds—Circulation based on, 101, 132.
- U. S. Currency Statistics, 49-80.**
- V**alues—Changed by greenbacks, 149; legislation cannot increase, 141; measure of, 359, 332; of our dollar, 502; standard of, 500; silver, 419, 509; uniform, 501.
- Venezuela—Monetary system, 95.
- Vincent Sir Edgar—Production of gold, 579-580.
- Vermont—State bank, 23; bank currency of, 273-276.
- Volume—Our currency, 378, 379, 381; our paper currency, 177.
- W**ages—Advance abroad, 590; effect of free coinage on, 611; effect of cheap money on, 547; effect of depreciation, 558; France, 504; how measured, 497; in Chile, 541; increase of, 535; in gold countries, 545; in Mexico; India; Japan, 540; payment of in wampum, 490; purchasing power, 389, 532, 596, 597; readjustment, 612; relative, 409, 504; statistics, 73, 74, 536-538; U. S., 504.
- Walker, President, F. A.—Bimetallism, 511-514.
- Wall Street—Bad currency in, 605; influence of, 400.
- Walsh, J. R.—Reply to "Coin," 416.

Wampum Currency, 483-490.

Wampum, currency in New Netherland, 483-490.

War Measures—Issues of greenbacks, 135, 138, 143, 146, 148, 152.

Warner, John DeWitt—The Currency Famine of 1893, 337-356 ; Free Coinage Dissected, 603-616.

Webster, Pelatiah.—Strictures on Tender-Aets, 491-496.

Weight—Minor coins, 111.

Wheat—Beerbohm on world's supply, 402 ; prices, 421 ; prices and production, 592-594 ; reason for decline in price of, 402.

White, Horace—Coin's Financial Fool, 405-425 ; National and State banks, 205-220.

Whitmore, Mr.—Bank issues of paper money, 440.

Whitney, D. R.—On history of Suffolk Bank, 276.

Why Legal Tender Notes Must Go, 155-164.

Wilson, Henry—On greenbacks, 151, 152.

Windom, Secretary—Elasticity of currency, 320 ; on sound money, 545.

Wisconsin—Free banking laws, 212.

Woodward—On wampum, 490.

Workingmen—Free coinage, 611.

World—Coins of, 98 ; currency of, 81-99 ; stock of money in, 96.

World's Bank Note Systems, 181-204.

Wright, Carroll D.—Prices and wages, 595.

Wright, Hendrick B.—On greenbacks, 142.

Yen—Japan, 94.

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